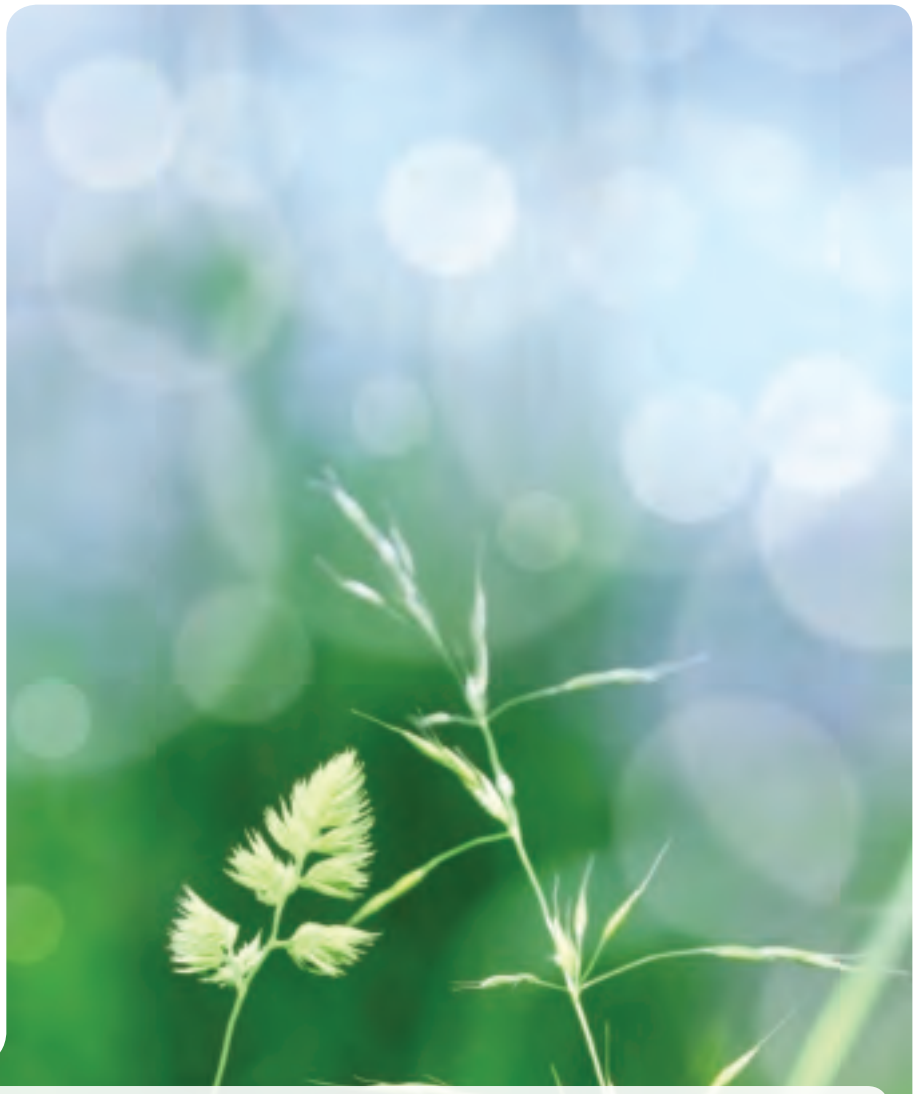


Allergy Therapeutics plc

Annual Report & Accounts 2011

www.allergytherapeutics.com www.pollinex.com

Allergy Therapeutics®
Transforming Allergy Treatment

Allergy Therapeutics is a European based speciality pharmaceutical company focused on the treatment and prevention of allergy.

Contents

Our Business

Financial Statements

Who we Are

Allergy Therapeutics is a European-based speciality pharmaceutical company focused upon the treatment and prevention of allergy.

Our Strategy

- Continue to build our European commercial infrastructure
- Continue developing improved allergy vaccines with novel adjuvants, improved dosing characteristics and hence patient compliance and new delivery formulations generating a patent protected, registered product portfolio
- Broaden the portfolio through the in-licensing and co-development of selected products
- Identify strong commercial partners for non-European markets

Mission Statement

To create a sustainable, fast-growing and profitable global speciality pharmaceutical business with a substantial franchise in the allergy sector by developing innovative, patented, registered therapies for both the treatment and prevention of allergy-related conditions.

Highlights

At a Glance

- FDA to lift clinical hold on INDs for MATA-MPL© products subject to submission of agreed protocols

  - Partnering process initiated to exploit significant US market opportunity

- 10 Marketing Authorisation Applications filed in Germany

  - Pollinex® Quattro grass filed in Switzerland

- Teomed AG acquisition in Switzerland fully integrated and beginning to deliver
- Netherlands subsidiary established and operating successfully
- Full-year revenue up 2% to £42 million (2010: £41 million); revenue up 5% at constant currency to £43 million

  - Pollinex® Quattro revenue up 2% at constant currency to £22 million (2010: £21 million)

- Number of in-licensing deals signed leveraging sales infrastructure
- PQ grass dossier report received from Germany's PEI, response to be submitted November 2011
- EBITDA £1.8 million (2010: £2.9 million); adjusted EBITDA pre FX hedge fair valuation impact £2.6 million (2010: £2.9 million)
- Cost reduction plan executed and head count reduced by 10%

Post reporting period events

- Initial roll-out of Emerging Market strategy with supplies to Latin America (August 2011)

Chairman's Statement

We are at an exciting stage in the development of our business. During the period we have achieved a number of regulatory milestones, strengthened our financial position and established a presence in the lucrative Emerging Markets (starting with some important Latin American markets) to improve future growth prospects outside Europe.

With a clear strategy for expanding our business we are well positioned to deliver growth for our shareholders.

Peter Jensen
Chairman
16 September 2011

I am delighted to have this opportunity to write to you for the first time as Chairman. In particular, I would like to thank Ignace Goethals, from whom I took over the role on the 1 January this year, for a smooth and helpful transition and I welcome Ignace's continued presence on the Board as a non-executive director.

I am pleased to report that, despite being impacted by a weak German market and a weaker Euro against Sterling on average over the year, the Group again reported an operating profit; albeit smaller than the previous year due in part to fair valuation of the foreign exchange hedges. This has been achieved by the acquisition of Teomed AG in Switzerland and other initiatives to improve revenue outside Germany whilst reducing costs in other areas, including reducing head count by approximately 10%. The lower operating profit and higher finance charges resulted in a £2.7m loss after tax (2010: £0.6m profit). The financial review on pages 30 to 35 describes the results in detail.

We achieved the key regulatory goals we set for the year. Firstly in Germany, we submitted 10 MAAs to the Paul Erlich Institute (PEI), beginning to focus the portfolio on 'registered finished products'. Secondly, in the United States, the Company met with the Food & Drug Administration (FDA) and they stated their intention to lift the clinical hold on all three programmes (Grass, Ragweed & Tree) and we are now preparing detailed protocols for discussion with the FDA to lift the hold officially. Finally we received the PEI report on the Pollinex® Quattro Grass Complete 0.5ml MAA. We are reviewing the report and believe that the issues raised can be satisfactorily addressed and expect to submit a response by the end of November.

Earlier in the year the European commercial infrastructure was strengthened by the acquisition of Teomed AG, a Swiss speciality distribution company. Teomed is the first acquisition following the increased emphasis in the Group's strategy towards strengthening its European market position. Our new operation in the Netherlands further reinforces our European base. Both operations are now fully integrated and delivering value.

Following our decision to reduce the size of the Board, Keith Carter retired as a non executive director on 31 December 2010 and both Tom Holdich and Christian Gratz left the Board on 30 September 2010. On behalf of my fellow directors I wish to thank them all for their contributions to the Group's development.

We are at an exciting stage in the development of our business. During the period we have achieved a number of regulatory milestones, strengthened our financial position and established a presence in the lucrative Emerging Markets (starting with some important Latin American markets) to improve future growth prospects outside Europe. We will look for a partner to develop our Pollinex® Quattro assets for the US market and we will seek to register Pollinex® Quattro Grass Complete 0.5ml in Germany and beyond through the European mutual recognition process. With a clear strategy for expanding our business we are well positioned to deliver growth for our shareholders.

Peter Jensen
Chairman
16 September 2011

CEO's Review

A key strategic goal is to expand the revenue base outside Europe, and the Group therefore intends to pursue opportunities in the Emerging Markets. Initially the Group will focus on Argentina, Columbia, Venezuela and Chile before moving into other Latin American markets.

Over the past 6 years the Group has invested around £66m across three development programs for grass, tree and ragweed in Pollinex® Quattro and in proving the benefit of MPL in an oral vaccine. We have started the process to identify the right partner to help finish this development program, seek registrations in markets outside Europe and subsequently to commercialise the products.

Manuel Llobet
Chief Executive Officer 16 September 2011

Now in my second year as CEO, I am pleased that the Group is progressing well despite challenging market conditions and is delivering in line with its strategy. One of our key ambitions for this year was for the Group to maintain operating profitability and I am pleased to report that despite difficult market conditions in Germany this has been achieved. Operating profit for the year is £0.1m (2010: £1.5m), which included a non-cash charge of £0.8m (2010: £nil) at the balance sheet date for the fair valuation of outstanding foreign exchange contracts.

Operationally, the results for the period were impacted by a weaker German market, with gross sales (before German statutory sales rebates) marginally higher at £43.0m (2010: £42.0m). On a constant currency basis however, revenue increased by 5%. Gross sales of Pollinex® Quattro grew by 2% on a constant currency basis.

The market in Germany has declined for the first time in the Group's history as a result of various factors changing in the market place, including a new regulatory environment - the Therapeutic Allergen Regulation (TAV) - which has led to the withdrawal of certain minor product ranges and pressures from German health insurance companies on doctors to reduce spending.

The Group has initiated a number of measures to offset the impact of weaker sales in Germany including strengthening our sales teams in other major markets outside of Germany, all of which have been showing good growth.

The Group has also recently set up its own operation in the Netherlands where sales have progressed well and we have taken advantage of the infrastructure to in-license complementary products to those already in our portfolio. On the first day of the financial year, the Company acquired Teomed AG of Switzerland for a consideration of CHF1.2m (£0.7m).Teomed specialises in the field of allergy and was the distributor for the Group's products and other companies' products in the Swiss market. Following this transaction Allergy Therapeutics has a direct sales and marketing presence in seven countries: Germany, Italy, Spain, UK, Austria, The Netherlands and Switzerland. The allergy vaccine market in Switzerland is sophisticated and well established, and is worth around £10 million per annum. The Pollinex® Quattro Grass Complete 0.5ml dossier was submitted to the Swiss regulators in April 2011. These two new operations are a great opportunity to improve earnings and provides us with an established infrastructure from which to launch Pollinex® Quattro in the future.

A key strategic goal is to expand the revenue base outside Europe, and the Group therefore intends to pursue opportunities in the Emerging Markets. Initially the Group will focus on Argentina, Columbia, Venezuela and Chile before moving into other Latin American markets. Allergy Therapeutics has established the necessary infrastructure to begin building a presence in these markets, including creating a subsidiary in Argentina and putting distribution agreements in place to support its sales representatives. Allergic Rhinitis ("AR") is a common chronic condition in Latin America, with a recently reported prevalence rate of 7% (approximately 40 million people) in a population-based study. We want to maximize this opportunity for our products and anticipate that Emerging Markets will account for a significant proportion of the Group's revenues in 5 years time.

At a meeting with the U.S. FDA in March this year, the Group was informed that the FDA intends to lift the clinical hold in order to allow the development of MATA-MPL© products to move forward. We are now preparing detailed protocols for discussion with the FDA to lift the hold officially and these will be submitted by December 2011. This is a significant step forward for the Group. It is estimated that some 60 million people suffer from allergy in North America, an estimated 25 million of whom have been diagnosed as suffering from moderate to severe allergy. In many cases the disease and allergy symptoms are not well-controlled, and thus there is a significant unmet need for better treatment. It has recently been estimated that up to 3 million Americans are being treated with a vaccine prepared by the treating physicians themselves, who buy the base products in bulk from manufacturing companies. No registered products for allergy immunotherapy are currently available in North America.

Over the past 6 years the Group has invested around £66m across three development programs for grass, tree and ragweed in Pollinex® Quattro and in proving the benefit of MPL in an oral vaccine. We have started the process to identify the right partner to help finish this development program, seek registrations in markets outside Europe and subsequently to commercialise the products.

At the end of November 2010 the Group submitted 10 Marketing Authorisation Applications (MAA's) to the Paul Ehrlich Institute (PEI), the Regulatory Authority for biological products in Germany. This achievement has been in response to the introduction of the TAV, which has changed the regulatory landscape in Germany. To date many products have been available in Germany on a 'named patient' basis. However, as a result of the TAV, all immunotherapy products containing common allergens (grass, trees, house dust mites and insect venoms) will need Marketing Authorisations by 2017. Since 2008, Allergy Therapeutics has reviewed its product portfolio and has submitted MAA's for its top 10 products in the Pollinex® Quattro, Tyrosin TU t.o.p. and Oralvac Compact ranges. This has been a major project that has required significant investment over the past two years and will result in the Group continuing to offer an attractive portfolio of products. These regulatory changes should favour the Group as the market will become focused on evidence-based, approved, value-added immunotherapy products and Allergy Therapeutics is well-placed to deliver a range of such products.

The Group has a broad product portfolio that addresses the needs of the market: injectable (both short and longer course), oral and diagnostics. The flagship product is Pollinex® Quattro, an injectable short course vaccine which requires only four injections over a period of three weeks. Pollinex® Quattro is currently sold across a number of European countries on a named patient basis. Completion of the regulatory process outlined below will open up new markets to Pollinex® Quattro and enable Allergy Therapeutics to improve market share in those countries where only named patient sales are currently possible.

During the year we have added to our portfolio through a number of agreements.

The Anapen® auto-injector adrenaline (epinephrine) pen has been licensed in from Lincoln Medical Ltd. in certain markets. Anapen® is a device to administer adrenaline and treats anaphylactic shock. This can be caused by an allergic reaction to foods such as nuts and shell fish, or to a wasp or bee sting, as well as contact with materials such as natural latex. Auto-injector pens are commonly carried by people at risk of anaphylactic shock as the adrenaline can be self-administered and is very fast acting. Adrenaline also features in emergency drug kits frequently held by GP surgeries and dental practices to treat patients prior to the emergency services arriving on scene. It is estimated that up to 4 million people in Europe and the USA carry an adrenaline auto-injector.

DAP, a diagnostic product for people who are allergic to penicillin, has been licensed from Diater Laboratorios S.A. for certain markets. Millions of patients believe they are allergic to penicillin. However, it is estimated that only approximately one in ten of these patients is actually allergic. If not diagnosed properly, patients who believe they are allergic to penicillin will be treated with broad spectrum antibiotics. Improved diagnosis can limit the use of broad spectrum antibiotics, thereby lowering treatment costs and the risk of developing multi drug resistant bacteria.

Avamys nasal spray is co-promoted in Germany on behalf of GSK. People who suffer from nasal allergies (allergic rhinitis) can experience a variety of symptoms as a result of their allergy, including a runny, itchy or blocked nose, sneezing and sinus discomfort. These symptoms are a result of inflammation in the nasal passages. Avamys contains the active ingredient fluticasone furoate, which is a corticosteroid. Corticosteroids are hormones produced naturally by the adrenal glands that have many important functions, including control of inflammatory responses. Fluticasone is a synthetic corticosteroid and is administered by nasal spray to decrease inflammation in the nasal passages.

Outlook

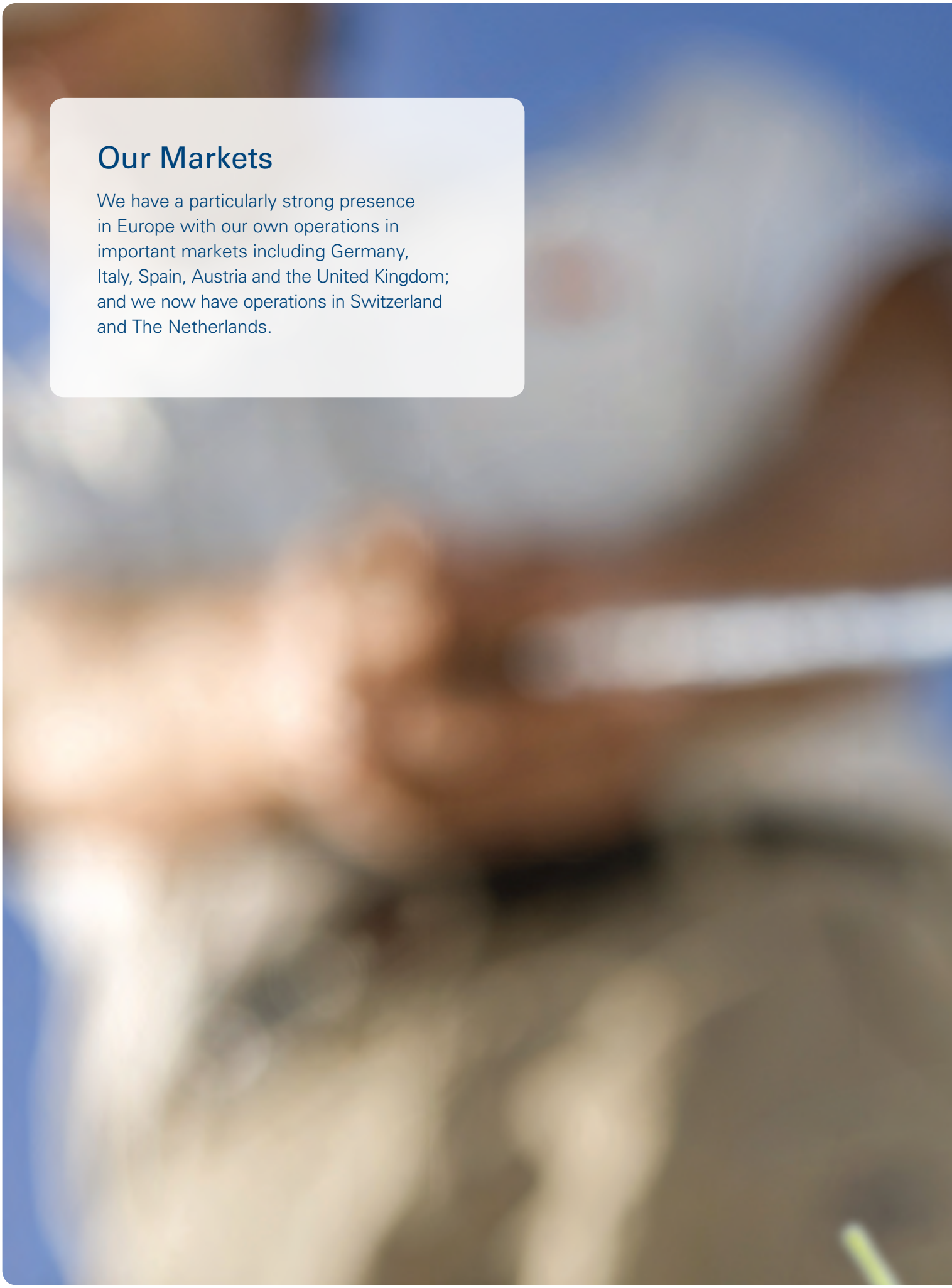
As a result of new regulations in Europe, a new global market of registered allergy vaccine products will be created. Immunotherapy is receiving more attention and is the only segment of the Allergic Rhinitis market that is expected to show significant growth in the next few years, according to a recent Datamonitor report. We are preparing the Group to take advantage of this opportunity.

Key objectives have been achieved to make the Group profitable and to strengthen our European business. During the year we have consolidated our position in Europe and remained profitable at the EBITDA level. We anticipate building on our profitability in the coming years as we focus on the Emerging Markets and on the continued expansion of our portfolio of products through in-licensing. The work we have already undertaken to reduce and carefully control our costs means we are now well placed to maximise the long-term potential of our business by moving into new territories and adding new products for our sales force to sell. Work will also continue to find a partner to help develop and commercialise our products in North America.

The current challenging economic climate may affect certain markets, with reimbursed markets seeing increased pressure on payors to lower the cost of medicines and greater pressure on discretionary spending in markets where products are not fully reimbursed. Variations in the Euro/Sterling exchange rate will also continue to affect performance in the second half. We will also continue to move forward with regulatory activities in Germany and the US.

There are many opportunities that will enable us to create a bright future for Allergy Therapeutics. With operating profits delivered for the second year running giving the Group a strong financial base and excellent market potential, I believe we will build on this year's performance and create significant long-term value for shareholders and stakeholders, as well as making a real difference to patients.

Manuel Llobet
Chief Executive Officer
16 September 2011



Our Markets

We have a particularly strong presence in Europe with our own operations in important markets including Germany, Italy, Spain, Austria and the United Kingdom; and we now have operations in Switzerland and The Netherlands.

This year has seen the expansion of our own sales infrastructure in Europe and further investment in our existing markets.

We have a particularly strong presence in Europe with our own operations in important markets including Germany, Italy, Spain, Austria and the United Kingdom; and we now have operations in Switzerland and The Netherlands. The only major European market in which we are not yet present is France.

In markets where we do not have a direct presence, we often make our products available through partners. The most important distributor markets for us are Canada, the Czech and Slovak Republics and South Korea.

Our goal is to invest profits back into the business to sustain and increase this growth in sales. The quality and quantity of our efforts in sales and marketing within our affiliates has improved and we expect to benefit from this in the coming years, as well as through our strategic initiatives to expand into Emerging Markets, in-license products and leverage our sales infrastructure.

Germany

The most important market for the Group, Germany is also the single largest immunotherapy market in the world by value, with annual sales of over €300 million. Germany has been a key focus for the Group this year and improvements have been made in a number of areas,including management structure, new marketing materials and employing a portfolio approach to marketing products.

The market has been challenging recently due to changes being brought about by the Therapeutic Allergen Regulation through the Paul-Ehrlich Institute (PEI), the Regulatory Authority for biological products in Germany, and because of various austerity measures brought in by the government.

Italy

We estimate the total Italian immunotherapy market to be worth €55 million in sales per year; although growth is somewhat limited due to negative economic conditions impacting patients and their ability to pay for vaccines. Italy is largely a sublingual market.

With a stronger organisation in place, we believe there is a great opportunity to continue to grow our business despite the flat performance of the overall market.

Spain

Total market sales per year in Spain are estimated to be €61 million, with mid-single digit growth during the past year. Growth in this market has recently been impacted by the economic slowdown. It still remains a large market in terms of volume, with approximately 150,000 patients a year estimated to receive immunotherapy. Injectable immunotherapy products continue to be the treatment of choice for Spanish physicians.

United Kingdom

The UK, our home market, is an important if challenging marketplace and a potential area of future growth for the Group. Whilst there is limited use of allergy vaccines in the UK, this is changing and there has been an increased focus at government level, with the release of a second government White Paper (policy statement) and reforms underway in the NHS.

We are working with several groups who are actively seeking solutions to the lack of existing allergy services and it is envisaged that this situation will improve in the near future. Our business in the UK has been growing quickly in a complex market. The focus on pharmaeconomics is of significant benefit to Pollinex® Quattro, with the short duration of treatment reducing direct and indirect costs. This leads to high rates of compliance and makes for compelling pharmaeconomic outcomes.

Austria

Austria is an established market with total market sales of about €18 million per year and our own operation is performing well, with double-digit growth.

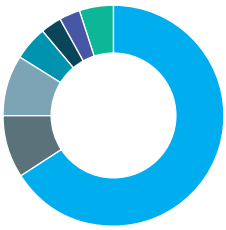
The Netherlands

This represents a new opportunity for the Group following the establishment of our own operations. The total market size is close to €50 million a year. Like other European countries, new regulations require that only registered products can be sold. This should be to our advantage as we already have registrations in this market for our Pollinex® products.

Switzerland

The allergy vaccine market in Switzerland is sophisticated and well established, and is worth approximately €12 million per annum. The recent acquisition of Teomed provides a great opportunity to improve earnings and gives us an established infrastructure from which to launch Pollinex® Quattro in the future. For the purposes of the segmental reporting analysis, Central Europe represents the markets of Germany, Austria, Netherlands and Switzerland and Southern Europe represents Spain and Italy. The Other segment represents the distributor and licensee revenues through other world wide markets including Canada and South Korea.

Revenue by Country



Germany – 66%

Italy – 9%

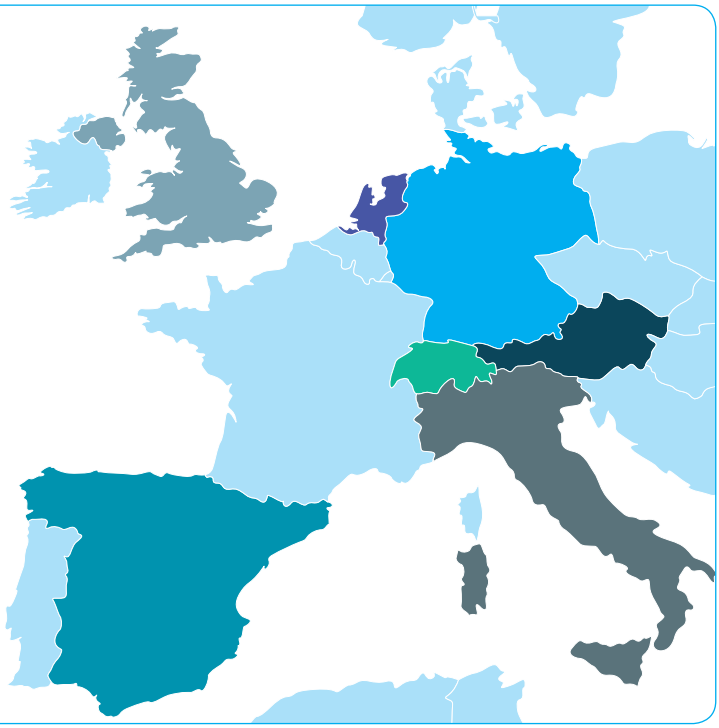
UK & Export Market – 9%

Spain – 5%

Austria – 3%

The Netherlands – 3%

Switzerland – 5%



Our Products

Injectable vaccines form the largest segment of our vaccines portfolio and are comprised of one key product, Pollinex® Quattro, which is the largest and the fastest growing product in our portfolio.

Pollinex® Quattro, launched in 1999, began a transformation of immunotherapy by introducing allergy vaccination with only four injections per course.

The Group sells a wide range of allergy vaccines and diagnostics. The main sales of the Group are in allergy vaccines and we sell both injectable vaccines and sublingual vaccines. Our vaccines and diagnostics trade under certain brand names, however under each brand name is a product that is produced in many different forms depending upon the specific allergy needs of the patient as determined by the doctor. The majority of our sales are for the treatment of pollen related allergies, particularly for allergies to grasses and trees.

According to the current opinion of expert immunologists, IgE mediated allergies (type one allergies) are due to dysregulation of the T helper lymphocyte (TH) cell. Whereas healthy people develop tolerance to allergens, allergy sufferers have a TH2-dominated immune response with increased IgE and corresponding clinical symptoms. This dysregulation of the immune system can be counteracted efficiently using specific immunotherapy (SIT). By administering high doses of allergen, the balance between TH1 and TH2 response to the allergen can be restored. Since SIT was first carried out successfully by Leonard Noon in 1911, it has become established as the only therapy addressing the cause of type one allergies.

Injectable vaccines form the largest segment of our vaccines portfolio and are comprised of one key product, Pollinex® Quattro, which is the largest and the fastest growing product in our portfolio, and various other longer course products. These other products trade under different names in different markets and include Pollinex®, TA Mix top and Venomil.

Pollinex® Quattro, launched in 1999, began a transformation of immunotherapy by introducing allergy vaccination with only four injections per course. The short treatment period is due to the use of L tyrosine absorbed allergoids and the innovative adjuvant, monophosphoryl-lipid A (MPL). An adjuvant is a substance which improves the immune response to an antigen or allergen. MPL is derived from a lipopolysaccharide (LPS) which is obtained from the cell wall of Salmonella Minnesota R595 using a process of extraction, purification and detoxification.

As a vaccine adjuvant, MPL has been used for many years. Vaccines with systems containing MPL have been evaluated in various indications such as cervical cancer and malaria at GlaxoSmithKline. Two vaccines with an adjuvant system containing MPL, a hepatitis B vaccine and an HPV vaccine to protect against cervical cancer - Fendrix and Cervarix respectively - have received broad approval in Europe, the US, Japan and Canada. These modern, successful vaccines are already widely used.

Pollinex® Quattro

The majority of our sales are for the treatment of pollen related allergies, particularly for allergies to grasses and trees.

Oralvac® *Compact* (sublingual)

Tyrosin TU *t.o.p*

Pollinex® Grasses + Rye

Pollinex® Trees

The adjuvant effect of MPL in specific immunotherapy (SIT) has been documented in numerous studies and is seen in its essential role of promoting the switch from a TH2-directed immune response (with IgE induction) to a TH1-directed immune response.

Our sublingual product is Oralvac. Recently we relaunched this product in a new and improved form as Oralvac Compact. Oralvac Compact's dosing schedule allows for a more rapid and simpler escalation of dosage making treatment more convenient for patients and doctors. The product launched in 2009 in Germany and is being launched into other European markets. We expect that this product will be very competitive and attract interest in the sublingual market at a time when competitors are launching new products.

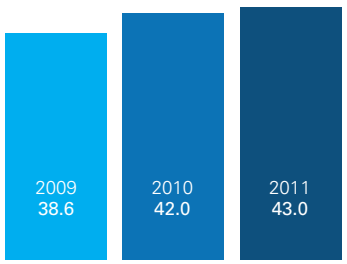
Licensed Products

Anapen® is an innovative auto-injector containing 150 mcg, 300 mcg or 500 mcg of epinephrine (adrenaline) for the emergency (self) treatment of anaphylaxis. Anaphylaxis is a severe, life-threatening systemic allergic reaction. Adrenaline (epinephrine) is a hormone which combats the effects of anaphylaxis by maintaining blood pressure, increasing the heart rate, constricting blood vessels and dilating airways. We have launched the product in October 2010 in The Netherlands and will be launching in the short term in Spain, Italy, Belgium and several Latin American markets.

DAP is a product for exclusive use in the diagnosis of type I or immediate hypersensitivity to benzylpenicillin and related antibiotics (betalactams) by means of cutaneous tests (prick and intradermal). Allergic reactions to betalactams are the most common cause of severe adverse drug reactions and there is an increasing prevalence in the population (up to 10% of the German population reports an allergy to penicillin). DAP was launched in Italy in May 2011.

How We're Doing

Gross Sales £m



Research & Development

Within the R&D area, this has been a year of great importance as several key development goals have been achieved in the regulatory arena.

The Group has made great strides towards developing its potential in Latin America.

Within the R&D area, this has been a year of great importance as several key development goals have been achieved in the regulatory arena.

As mentioned in previous annual reports, the Therapeutic Allergen Regulation (introduced by the Paul-Ehrlich Institute, the Regulatory Authority for biological products in Germany) has changed the regulatory landscape. For the preceding two years, Allergy Therapeutics has been preparing Marketing Authorisation Applications (MAAs) for our key products and, during the course of this year, we successfully submitted 10 MAAs to the PEI before the deadline of 1 December 2010. This was a major project and achievement, beginning to focus the portfolio on registered finished products. It is expected that additional clinical information will be required on some of these products over the next few years to 2017, which we will address following the PEI's review of the applications.

In June we received the PEI's review of the Pollinex® Quattro Grass Complete 0.5ml application for the MAA which had been submitted in March 2009. PEI have raised a number of questions on the MAA and requested clarification of several points. Allergy Therapeutics has studied the report in detail and believes that the questions can be satisfactorily addressed and will be submitting its response prior to the deadline at the end of November 2011.

Meanwhile, two highly significant events have taken place in the Americas. Firstly, in the United States, the Company met the FDA in March 2011 to discuss the lifting of the clinical hold. The Pollinex® Quattro (MATA MPL) development programmes have been on hold in the US since July 2007 following an adverse event in a patient who had previously participated in one of the Phase 3 studies and pending a review of the Monophosphoryl Lipid A (MPL). Allergy Therapeutics submitted a complete response to the FDA including an extensive safety review with external expert evaluation, an overall assessment of the potential benefits and risks of the product and a proposed way forward. At the meeting, the FDA agreed that we had addressed each of the hold issues and stated their intention to lift the clinical hold on all three programmes (Grass, Ragweed & Tree). The FDA agreed in principle to the proposed plan presented by the Group and we are now preparing detailed protocols for discussion with the FDA to officially lift the hold; these will be submitted by December 2011.

Secondly, within the last year, the Group has made great strides towards developing its potential in Latin America. This has been a real team effort within the Group and with our advisors on two continents to understand the medical and regulatory requirements within the key territories of Argentina, Columbia, Chile and Venezuela, to adapt the product portfolio accordingly and to supply the appropriate products and supporting information. We look forward to adapting this approach for use in other Emerging Markets.

In other markets, a dossier was submitted in Switzerland for Pollinex® Quattro Grass and we continue to supply the Italian Regulatory Authority (AIFA) with the information requested for the eventual registration of our products on the market in Italy.

Our Product Pipeline

Pre-Clinical	Phase 1	Phase 2	Phase 3	Registration
Japanese Cedar	Sublingual MPL	Trees (US/Canada/ Europe)	Grasses (US/ Canada) Ragweed (US/ Canada)	Grasses (Europe)

Financial Review

The acquisition of the Group's Swiss distributor, Teomed AG, has progressed well and this has helped support the results in the period by adding £2.1m in revenue.

The Group's strategy, to exploit its sales and force through complementary product sales, was launched during the year. A number of commercial initiatives have started and whilst revenues from these initiatives are small in the current year, growth is expected in the future.

Ian Postlethwaite
Finance Director
16 September 2011

The following section should be read in conjunction with the financial statements and related Notes on pages 40 to 103.

Overview of the business model

We are a specialist fully integrated pharmaceutical company that is focused on the allergy vaccine sector. We concentrate on specialist products used by allergists, dermatologists, paediatricians and Ear Nose and Throat (ENT) doctors who treat people for Allergic Rhinitis.

The results for the twelve months to 30 June 2011 have seen the Group posting another operating profit, following its maiden operating profit in the prior year, of £0.1m (2010: £1.5m). The relative reduction in performance in 2011 reflects weaker German revenue and the lower average Euro versus Sterling exchange rate.

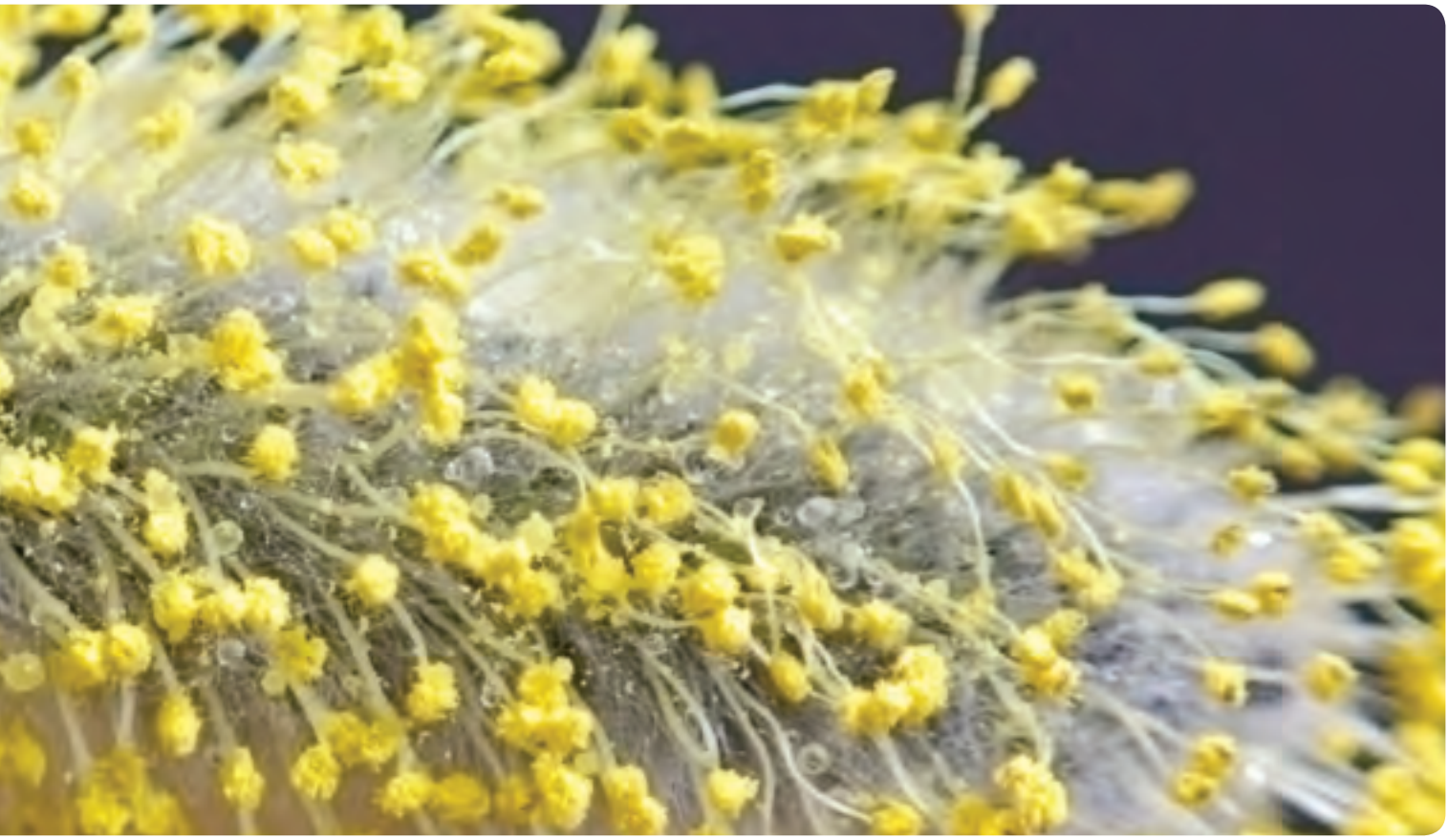
Revenues

We market and sell allergy vaccines mainly in Europe, South Korea and Canada and since the year end have started marketing in Latin America. Germany is our most important market, accounting for 66% of our revenue, a reduction from the prior year (74%). Our revenues derive principally from sales of our own products, generally through our own sales forces but also through distributors. The key product is Pollinex® Quattro, accounting for approximately 50% of sales.

Gross sales for the period, before the statutory sales rebate in Germany of £1.4m (2010: £1.3m), were £43.0m (2010: £42.0m). This represents an increase of 5% over the previous year at a constant currency. However, given that most of the Group's sales are in Euros, the weaker average Euro rate to Sterling during the year of 1.17 compared to the average rate in the prior year of 1.14 has had a negative impact on sales limiting the growth rate to 2% and the increase in sales to £1m. This growth is driven primarily by sales in the new markets of Switzerland and the Netherlands, mitigating the weaker effect of the lower sales in Germany. From a product perspective, sales of new licensed in products have contributed most to the growth. After the German statutory rebate, Group revenue increased by 2% to £41.6m (2010: £40.8m).

The acquisition of the Group's Swiss distributor, Teomed AG, has progressed well and this has helped support the results in the period by adding £2.1m in revenue.

Growth in the remainder of the Group's markets, excluding Germany, was good with a constant currency increase of 15%. These performances helped mitigate the weaker German allergy vaccine market where units sold during the period declined in the 12 month period to June by 6% and gross sales in Germany declined by 5% at constant



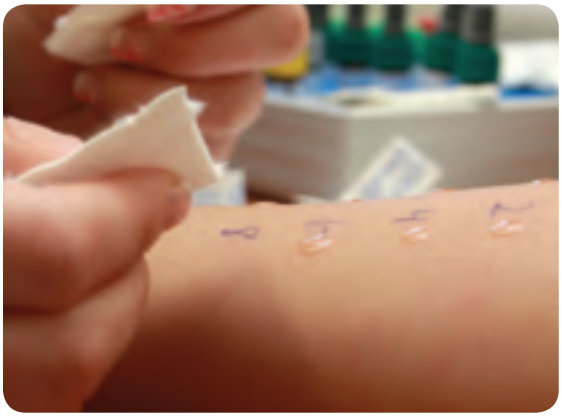
currency rates. The market in Germany has declined for the first time in the Group's history as a result of various factors changing in the market place, including the introduction of a new regulatory environment, the Therapeutic Allergen Regulation (TAV), which has led to the withdrawal of certain product ranges and also pressures from the German health insurance companies on the prescribing doctors to reduce their spending. Moreover, the pollen count last year was lower than normal in most areas of Germany.

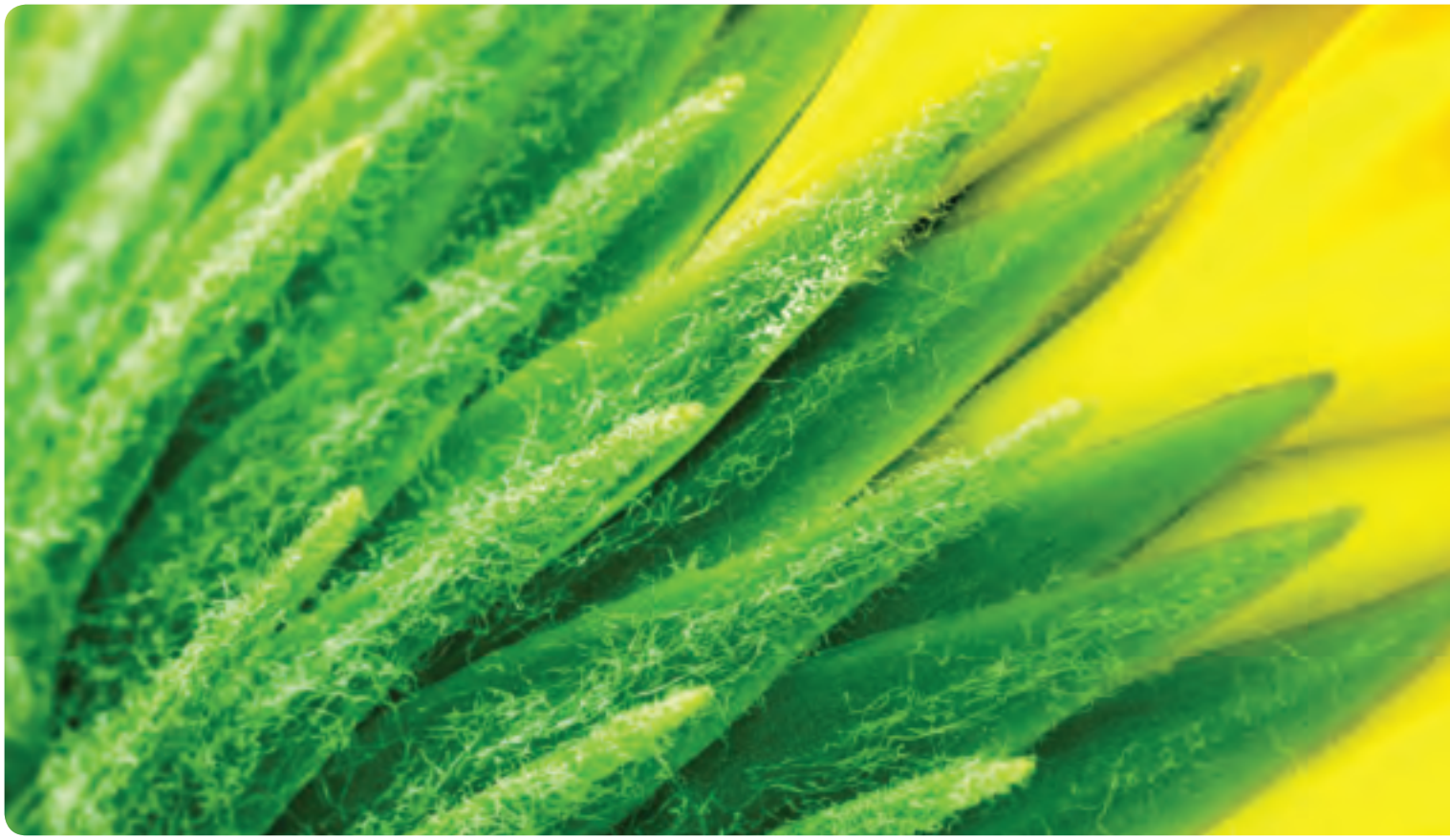
The Group's strategy, to exploit its sales force infrastructure through complementary products sales, was launched during the year. A number of commercial initiatives have started, including in-licensing Anapen®, (an adrenaline injector), DAP, (a penicillin allergy diagnostic) and co-promoting Avamys from GSK in Germany. Whilst revenues from these initiatives are small in the current year, growth is expected in the future.

Gross profit

As a consequence of lower than expected sales in Germany, where the Group benefits from its highest selling prices and a weaker Euro to Sterling exchange rate, gross profit decreased by 4% to £28.3m (2010: £29.6m), representing a gross margin of 68% (2010: 73%) of revenue. This impact was compounded by an increase in cost of goods to £13.2m (2010: £11.2m). This was generally a result of the prior year cost of goods charge benefiting from some one-off events and higher manufacturing compliance costs.

To combat the impact on the gross margin, as soon as the Group became aware of the weakness in the German market, a decision was made to reduce the head count by approximately 10%. The majority of those affected were based in the manufacturing and support departments. Although this is regrettable for those people affected it was essential to take such measures to protect the Group's profitability to ensure its long term financial health. As a consequence, the cost savings from this exercise should benefit margins for the future.





Operating expenses

Despite the reduction in total headcount, investment and head count in sales and marketing, the major component of distribution costs has not been adversely impacted. This is due to the strategy of improving our marketing capabilities in all of our key markets. Total distribution costs increased to £17.5m (2010: £16.1m), an increase of 9% over the previous year. Administration costs of £9.2m (2010: £10.2m) were lower by £1.0m than in the previous year due primarily to various cost saving initiatives taking effect and despite taking on further overheads in our new markets.

Research and development costs decreased again during the year to £1.7m (2010: £2.2m) as the development activity for the MPL based vaccine range has now completed its current programme. Other income represents the gain on bargain purchase released as a consequence of the purchase of the Swiss distributor being at a price below the fair value of the net assets acquired. In the prior year, other income came from funds received from a partner to build in-house specific manufacturing plant.

The operating profit for the period was £0.1m (2010: £1.5m), lower than the previous year due principally to the impact of foreign exchange with a £0.8m charge (2010: £nil) for the fair valuation of the foreign exchange forward contracts outstanding at the balance sheet date resulting in a charge in administration expenses.

Finance expenses are significantly higher than the prior year at £2.4m (2010: £1.6m) primarily due to a higher revaluation loss of £1.3m (2010: £0.1m) on the Euro denominated loan as a consequence of the year-end Euro:Sterling exchange rate strengthening against the rate used at the prior year end from 1.23 to 1.11.

During the previous year a £0.8m research and development tax credit was received which related to spend in the prior financial year, offset by a small tax charge in Germany. In the current year the small tax charge relates to the German and Italian subsidiaries.

The loss after tax for the year was £2.7m (2010: profit £0.6m) reflecting the lower operating profit and higher finance charges.

Spending on capital items was broadly in line with the charges for depreciation and amortisation in the year. Intangible assets however have increased by £1.1m, to £4.4m due mainly to the acquisition of the Swiss subsidiary.

Net current assets excluding cash and cash equivalents are £2.7m (2010: £0.3m). This increase of £2.4m is principally due to higher debtors in Germany and additional trade debtors in the new markets of £0.5m offset by a higher foreign exchange derivative fair valuation creditor

of £0.8m. Although net current assets excluding cash are higher, due to an increase in net debt, net assets have decreased by £1.7m to £2.1m during the year.

Net cash generated by operations for the year was an outflow of £1.7m (2010: inflow £1.1m) and was impacted by the £2.4m increase in net current assets excluding cash and cash equivalents.

Financing

The weakening of the average rate of the Euro against Sterling during the year has been detrimental to the Group's performance. Over 85% of our sales are denominated in Euros whereas roughly 50% of costs are incurred in the United Kingdom and denominated in Sterling. Although the Euro weakened against Sterling on average over the year, it actually closed stronger at the balance sheet date against the prior year closing rate and this generated two further negative effects on the Income statement: forward foreign exchange contracts maturing after the balance sheet date when fair valued at the balance sheet date generated a charge of £0.8m and similarly the Euro denominated loan was revalued up at the balance sheet date charging the Income Statement with £1.3m.

Furthermore, there have been changes in the reimbursement regime in Germany, our key market. Notably, there has been a price freeze on reimbursed products from the prices in the market on 1 August 2009 and the rebate paid to sick-funds increased from August 2010 from the previous level of 6% to 16%, although the Company has received an exemption from this rebate rise until the end of the calendar year.

The Group meets its ongoing financing obligations through a combination of a term loan facility of €8.1m (2010: €11.0m), a revolving credit facility of €15.5m (2010: €15.5m) and a small bank overdraft. At the balance sheet date a net amount of £15.2m was drawn on these facilities (2010: £11.7m). The Directors believe that the Company and the Group will have access to adequate facilities for the foreseeable future and accordingly, they continue to adopt the going concern basis in preparing the full year results.

Ian Postlethwaite
Finance Director
16 September 2011

Meet the Board

Board of Directors

Peter Jensen
Non-Executive Chairman (60)

Appointed to the Board in October 2010 and appointed Non-Executive Chairman on 1 January 2011.

As Non-Executive Chairman, Peter is responsible for leadership of the Board by ensuring Board effectiveness, good corporate governance and effective communication with shareholders.

Peter held a number of senior roles in his 21 years with SmithKline-Beecham. Between 1994 and 1998 he was Chairman of Consumer Healthcare Europe and between 1998 and 2001 he held the position of President of Worldwide Supply Operations, based in Philadelphia.

Since leaving the company at the time of the merger with Glaxo, Peter has held a number of non-executive director and chairman roles for various public and private companies. These include Domino Printing Sciences plc, Glenmorangie plc, Genetix Group plc and Celsis International plc.

In addition to his role at Allergy Therapeutics, Peter is currently the Senior Independent Director at Victoria plc, a Director at Newmarket Racecourses and The Osborne Studio Gallery and Chairman of Screendragon Limited, The Home of Horseracing Trust Limited and The British Sporting Art Trust.

Peter has chaired the Nomination Committee from 1 January 2011.

Manuel Llobet
Chief Executive Officer (47)

Manuel Llobet joined the Group in September 2009 following the successful refinancing in which Azure Ventures Limited was the main investor. Prior to this appointment, Manuel was the Principal Consultant for Biohealth LLC and CEO of International Operations of the Weinstein family's group of companies.

Manuel was responsible for international development of the Weinstein family's group of pharmaceutical companies in 20 countries. Mr Llobet has over ten years experience working in the pharmaceutical industry, primarily in South America and has served as Executive Director of Corporación Drokasa where he was responsible for a US$25 million AAA-rated bond issue to finance the group's expansion plans; CEO of Laboratorios Andrómaco where he led the Company to an IPO on the Santiago Stock Exchange; and Business Development Manager for Laboratorio Chile. Manuel participated in the Executive Program at the Graduate Business School of Stanford University and has an MBA from IESE, Universidad de Navarra in Barcelona. Manuel also has degrees in Industrial Business Management and Chemical Engineering from Universitat Ramon Llull in Barcelona.

As Chief Executive Officer, Manuel is responsible for the executive management of Group operations, investor relations, and implementation of the Board's collective decisions overseeing all operational aspects of the Group and directing the long-term strategy.

Ian Postlethwaite
Finance Director (48)

Ian Postlethwaite joined Allergy Therapeutics in April 2002 as Finance Director. Prior to this he worked for Ellerman Investments (1997 - 2002), a UK private equity house, undertaking the roles of Chief Executive Officer with AFS, one of the largest independent finance houses in the UK, and Finance Director with a number of successful start up technology companies. Previously he held senior finance positions with Ericsson, from 1994 - 1997, and Philips Electronics from 1989 - 1994. He is a qualified accountant and a Fellow of the Chartered Association of Certified Accountants. Ian has a BSc (Hons) in Geological Sciences from Aston University.

As Finance Director, Ian is responsible for Group financial reporting and control, tax, finance systems and internal audit. Ian is also the Company Secretary, a position he has held since 2004.

Stephen Smith
Non-Executive Director (58)

Stephen Smith is a Chartered Management Accountant, Fellow of the Association of Corporate Treasurers and Member of the Institute for Turnaround. Since 1995, he has operated as an independent executive, Non-Executive Director and interim manager (CRO/CEO/COO/FD) on an international basis. Up to 1995 Stephen held various senior financial positions in UK based international public companies including 6 years as Group Treasurer of The Rank Organisation and 3 years as Group Finance Director of a quoted hotel company.

Stephen chairs the Audit and Remuneration Committees, is a member of the Nomination Committee which he chaired until 1 January 2011 and is the Senior Non-Executive Director.

Alejandro Weinstein Jr
Non-Executive Director (53)

Alejandro Weinstein Jr. is CEO of Laboratorios Recalcine Chile, a position held since 2000, and is responsible for the entire Weinstein family group of pharmaceutical companies. Alejandro has been responsible for transforming the Recalcine Group from a local Chilean pharmaceutical Company into a global pharmaceutical Company, recently floated on the Santiago Stock Exchange, with a presence in 20 countries and double digit sales growth for the last five years. Alejandro has been active in developing and managing several businesses and start ups in the pharmaceutical industry and the healthcare sector, including Genomika Foundation, a stem cell research organisation; Biomedical Research Consortium, a joint venture between a biotech R&D Company and a university; Vidacel and Banco de Vida, public and private stem cell banks in Chile; and several other joint ventures with local and foreign R&D companies. Alejandro has a BA, is a Certified Public Accountant and participated in the Owner/President Management Program (OPM) at Harvard Business School.

Alejandro sits on the Nomination Committee.

Ignace Goethals
Non-Executive Director (66)

Ignace stepped down as Chairman on 1 January 2011 but remains on the board as a non-executive director. Ignace has had a successful career in the pharmaceutical industry, with Eli Lilly, Squibb/Bristol Myers Squibb and SmithKline Beecham rising to the highest levels prior to retiring at the end of 1998 when he was Head of Worldwide Supply Operations.

His experience is exceptionally broad, covering sales and marketing, country and regional general management positions, licensing and business development, business unit management (Biologicals and Animal Health) and supply. Ignace has a degree in Applied Economics from the University of Louvain (Belgium) and an MBA from the University of Chicago. Ignace sits on the Audit, Nomination and Remuneration Committees.

Virinder Nohria
Non-Executive Director (57)

Virinder works as a strategic consultant in international drug development. He has led teams in many successful interactions with regulatory bodies in several countries, particularly the US FDA. He is founder and Chief Medical Officer of Alaven Pharmaceutical LLC, a privately held specialty pharmaceutical Company in the areas of gastroenterology and women's health, which was acquired by Media AB in August 2010. Virinder served as Chief Medical Officer and Vice President of Xcel Pharmaceuticals, Inc., a US specialty pharmaceutical Company until the sale of the Company to Valeant Pharmaceutical International in early 2005. Prior to joining Xcel, Virinder held several positions in biotechnology and pharmaceutical companies including UCB Pharma and Eli Lilly and Company. Virinder is a board certified paediatric neurologist and received his medical degree from Cambridge University and doctorate in neuropharmacology from University of Bradford. He is currently based in the US and has an affiliation with Mercer University.

Virinder sits on the Remuneration Committee.

Directors' Report

The Directors present their annual report and the audited financial statements for the 12 months ended 30 June 2011. The financial statements are for Allergy Therapeutics plc (the "Company") and its subsidiary companies (together, the "Group").

Directors' Report

The Directors present their annual report and the audited financial statements for the 12 months ended 30 June 2011. The financial statements are for Allergy Therapeutics plc (the "Company") and its subsidiary companies (together, the "Group").

Principal activities

The Group is engaged in the development, manufacture, marketing and sale of a range of pharmaceutical vaccine products designed for the immunological treatment of the allergic condition and also licenses in related products. Vaccinations take the form of allergen-specific, named-patient-specific and standard products in injectable and sublingual presentations. The business is headquartered in Worthing, West Sussex, where development and manufacturing is based, with sales and marketing subsidiaries in Germany, Austria, Italy, Spain, The Netherlands and Switzerland and representative offices in Poland and the Slovak Republic.

Results

The loss for the year after taxation was £2.7m (2010: profit £0.6m). The results for the year are set out on page 56 and are dealt with in more detail in the Financial Review.

Business Review

The purpose of this business review is to inform members of the Company and help them to assess the Group's performance during the year, through financial and non-financial activities, outlining the trends and factors which are likely to influence future developments. A review of development and performance of the Group, including important events, progress during the year, the financial performance during the year and likely future developments, can be found in the Chairman's Statement on page 8, the Chief Executive's Review on pages 12 to 17 and the Financial Review on pages 30 to 35 and are incorporated in this report by reference.

Fair review of the Group's business and Key Performance Indicators

The management consider the Key Performance Indicators (KPI's) of the business to be revenue, operating profit, EBITDA, net cash generated and staff turnover.

Revenue in the year increased to £41.6m compared to £40.8m in the previous year, an increase of 2%.

The operating profit was £0.1m (2010: profit £1.5m), the reduction being largely a consequence of adverse foreign exchange impacts.

EBITDA for the year was £1.8m (2010: £2.9m) with the current year being impacted by the fair valuation of foreign exchange hedge contracts of £0.8m (2010: £0.0m).

Net cash generated by operations for the year was an outflow of £1.7m (2010: inflow £1.1), due mainly to a £2.4m increase in net current assets excluding cash and cash equivalents.

Staff turnover, including redundancies and temporary staff, in the UK during the year was 24.1% (2010: 18.7%), compared to an average UK staff turnover rate of 12.4% (2010: 19.2%), (data supplied by the Chartered Institute of Personnel and Development). Excluding redundancies and temporary staff, the turnover rate was 9.2% (2010: 8.7%).

A more detailed review of development and performance of the Group, including important events, progress during the year, the financial performance during the year and likely future developments, can be found in the Chairman's Statement on page 8, the Chief Executive's Review on pages 12 to 17 and the Financial Review on pages 30 to 35 and are incorporated in this report by reference.

Description of the principal risks and uncertainties facing the Group

In common with many pharmaceutical companies the Group faces a number of risks and uncertainties. Internal controls are in place to help identify, manage and mitigate these risks. The main risks have been identified as follows:

Risk that the Group is unable to provide effective commercially successful products

Continued development of viable new products and their successful registration and marketing is key to the success of the Group and is a costly and lengthy process. Rationale for new product development may indicate potential, however following significant investment there is no guarantee that a product will be successful. Board approval is sought for all development projects and business cases.

The registration of Pollinex® Quattro in Europe is a key priority.

The formal lifting of the clinical hold by the FDA in the USA on Pollinex® Quattro is subject to agreeing protocols for each program. A key risk facing the Group with respect to new development in the US is agreeing future clinical activity and securing a partner to help finance the activity.

Product liability risk

Despite extensive product testing prior to market launch, products may produce unanticipated adverse side effects that may hinder their marketability. The Group may be insufficiently covered for any potential litigation which in some cases can potentially be open-ended. The Group's manufacturing facilities and those of some of its suppliers are subject to regulatory requirements and there is a risk that such facilities may not comply with such requirements. The Group maintains product liability insurance and ensures systems and processes relating to the manufacture of it's products are compliant and regularly reviewed. It has a pharmacovigilence team in place to monitor and address any safety issues arising.

Intellectual property risk

Group patents may be challenged at any time and any unsuccessful defence may cause the Group to lose protection for its products and subsequently affect further development and sales. The Group is reliant on some intellectual property owned by external stakeholders that, if lost, could hinder the commercialisation of some of its products. The Group has internal and external patent experts. Internal controls are in place to avoid disclosure of patentable material and to protect existing patents. Arrangements are also in place to notify the Group of any infringements of our intellectual property which it would defend robustly.

Economic risks

A high level of risk is attached to the research, development and commercialisation of innovative drugs. The Group ensures that business cases are scrutinised before Board approval and that any increases in costs are justified. Key suppliers may be unable to execute contractual requirements that hamper product development and/or the route to markets, but the Group maintains appropriate measures to protect its supply chains. The Group may be unable to attract partners or licensees on favourable terms or recruit the right staff to help develop and market its products. Approximately 66% of Group sales are made in Germany and therefore Group results are sensitive to German legislation and government policies, and performance of the German market. To mitigate this risk, the Group intends to expand it's revenue outside Germany.

Pharmaceutical products are subject to far greater controls on price in certain markets than other products in the marketplace. Some governments intervene directly in setting price levels and rebates paid into public sick funds, especially with an increasing aged population in developed countries. The Group cannot accurately predict when, where and how such controls and restrictions may be altered, either to its benefit or detriment, but it does conduct regular reviews of pricing and reimbursement levels and assessments of healthcare reforms on pricing.

Financial risks

Adequate funding may not be available to the Group, either through reserves or external partners for the advancement of clinical trials, manufacturing and marketing. Failure to obtain further funding may lead to postponement or cancellation of programmes. The Board actively reviews the financial requirements of the Group on a regular basis.

A majority of the Group's sales are denominated in Euros whilst the manufacturing and most corporate administration costs are in the UK and therefore the Group is exposed to volatility in exchange rate fluctuations. The Group monitors exchange rates regularly and implements hedges to mitigate such risks.

Clinical and regulatory

The Group operates in a highly regulated environment for the testing, manufacture and supply of its products. Compliance with clinical and regulatory requirements within the EU affects not only the cost of product development and resource use, but also the time required to comply. Increased regulation may require products to be amended to comply with regulations and/or products have to be withdrawn, reducing revenues and/or increasing costs. Regulatory authorities such as the FDA are increasingly focussed on the benefit/risk of pharmaceutical products and safety data making it more onerous to obtain regulatory approval. Compliance systems are in place to ensure all clinical, manufacturing and marketing activities comply with regulations in the EU and other territories. Standard operating procedures are maintained to ensure compliance with good manufacturing practice. The Group maintains constant awareness of new regulations and engages with key Regulatory Authorities whenever possible to contribute to trends in regulatory thinking.

Financial risk management objectives and policies

Note 24 in the Notes to the Financial Statements gives details of the Group's objectives and policies for risk management of financial instruments.

Development and performance of the Group's business during the financial year

For a full review of development and performance of the Group during the financial year, please refer to the Chief Executive's Review on pages 12 to 15 and the Financial Review on pages 30 to 35.

Position of the Group's business at the end of the year

The implementation of commercial and marketing initiatives across all territories has helped to maintain and strengthen the Group. Infrastructure setup in Latin America will provide for growth opportunities beyond the current European focus.

Main trends and factors likely to affect the future development, performance and position of the Group's business

Allergy remains a fast growing market with largely unmet market needs in many countries. The allergy "epidemic" continues to grow and it is increasingly recognised that for many people suffering from hay-fever, it is far from being a trivial matter. There are currently few competitors in the niche market in which the Group operates.
The Board is confident of achieving registration within Europe for Pollinex® Quattro Grass and expects further expansion of product sales in the Emerging Markets.

Environmental matters

The Board is committed to minimising the Group's impact on the environment and ensuring compliance with environmental legislation. The Board considers that its activities have a low environmental impact. The Group strives to ensure that all emissions including the disposal of gaseous, liquid and solid waste products are controlled in accordance with applicable legislation and regulations. Disposal of hazardous waste is handled by specialist agencies.

Employees

The Group currently employs over 370 people in 7 countries and is committed to achieving equality of opportunity in all employment practices. A thorough review of all employees is performed annually to identify and promote areas that require development and growth; feedback is encouraged and sought. Staff are motivated by performance related incentives, which help to attract and retain the right people, and are encouraged to achieve business targets through market-rate pay, discretionary performance based bonuses and long term incentive programmes. The Board is committed to retaining staff as a high priority for the Group and implementing well balanced, challenging incentives makes this possible. Training and development appropriate to individual and business needs is offered and remuneration for professional development is considered on a case by case basis.

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and email updates. Family friendly employment policies conform to statutory requirements and flexible working practices are adopted where viable.

The Group implements equality of opportunity in all of its employment practices, policies and procedures. Employees are highly valued and their rights and dignity are respected. The Group practices equal treatment of all staff and potential staff irrespective of their race, creed, colour, sexual orientation, nationality, ethnic origin, religion, disability, age, gender or marital status. The equal opportunities section of the Staff Handbook covers all permanent and temporary employees, job applicants, agency staff, consultants and contractors.

A full review of the Group's activities, important events affecting the Group and its development programme is contained in the Chief Executive's Review on pages 12 to 15 and the Financial Review on pages 30 to 35, both of which form part of this report.

Corporate social responsibility

The Directors recognise the increasing importance of corporate social responsibility and endeavour to take into account the interests of the Group's stakeholders, including its investors, employees, customers, suppliers and business partners when operating its business.
The Group is committed to empowering responsible employees who display sound judgement and awareness of the consequences of corporate decisions and actions, and who act in an ethical and moral way.

Directors and Directors' interests

The Directors who held office during the period were as follows:

	Date of appointment	Date of resignation
Peter Jensen Non-Executive Chairman**	1 October 2010	
Manuel Llobet Chief Executive Officer	1 July 2009	
Ian Postlethwaite Finance Director	1 July 2004	
Stephen Smith Non-Executive Director	8 September 2004	
Alejandro Weinstein Non-Executive Director	1 July 2009	
Ignace Goethals Non-Executive Director**	8 September 2004	
Virinder Nohria Non-Executive Director	1 November 2005	
Thomas Holdich R&D Director	8 September 2004	30 September 2010
Christian Grätz Market operations Director	8 September 2004	30 September 2010
Keith Carter Non-Executive Director	1 September 2009*	31 December 2010

* Refers to date of appointment as a Non-Executive Director

** On 1 January 2011, Peter Jensen became Chairman replacing Ignace Goethals who remains on the board as a non-executive director

The dates of appointment above refer to appointment as Directors of Allergy Therapeutics plc. All the Directors, with the exception of Dr Nohria, Mr Llobet, Mr Jensen and Mr Weinstein were previously Directors of Allergy Therapeutics (Holdings) Limited.

Mr Gratz and Dr Holdich resigned as directors on 30 September 2010.

Under a Compromise Agreement and Letter of Appointment between Mr Carter and the Company dated 11 June 2009, Mr Carter stepped down as Chief Executive Officer and became a Non-executive Director on 1 September 2009. Mr Carter resigned as a Non-executive director on 31 December 2010 Under a Service Agreement dated 11 June 2009 between Mr Manuel Llobet and the Company, Mr Llobet assumed the role of Chief Executive Officer on 1 September 2009 and relinquished his position as a Non-Executive Director held from 1 July 2009.

Under a Letter of Appointment dated 11 June 2009, Mr Alejandro Weinstein was appointed a Non-Executive Director of the Company effective from 1 July 2009.

The Directors who held office at the end of the financial year had the following interests in the ordinary shares of the Company:

	At beginning of year:		At end of year:	
Name	Ordinary Shares	Options & LTIPs	Ordinary Shares	Options & LTIP
Peter Jensen	-	-	100,000	-
Manuel Llobet*	3,125,000	750,000	3,125,000	1,470,000
Ian Postlethwaite	493,000	2,833,191	493,000	3,023,500
Stephen Smith	756,513	150,000	756,513	150,000
Alejandro Weinstein	140,568,287	-	140,568,287	-
Ignace Goethals	4,897,912	150,000	5,013,109	150,000
Virinder Nohria	462,160	100,000	512,160	100,000

* All or part are shares held in trusts of which the Director is a beneficiary.

Directors' indemnity

The Directors and officers of the Company are insured against any claims arising against them for any wrongful act in their capacity as a Director, officer or employee of the Company, subject to the terms and conditions of the policy.

Structure of the Company's capital

The Company's share capital which is traded on the AIM market of the London Stock Exchange comprises a single class of ordinary shares of 0.1 pence each, which each carry one voting right and all rank equally with each other. At 30 June 2011 310,771,614 shares were allotted and fully paid. Details of movements in the Company's share capital during the period are shown in Note 27 to the financial statements.

Details of employee share schemes are set out in Note 28 to the financial statements. Participants in employee share schemes have no voting or other rights in respect of the shares subject to their awards until the options are exercised or conditional shares fully vest, at which time the shares rank pari passu in all respects with shares already in issue.

Substantial shareholders

At 31 August 2011 the Company had been notified of the following major interests, each representing 3% or more of the existing issued ordinary share capital:

Shareholder	Ordinary shares	% held
Yissum Holdings Limited	137,491,788	44.24
M&G Investment Management	17,507,764	5.63
Southern Fox Investments	15,816,666	5.09
Fidelity Investments	15,124,376	4.87
Henderson Global Investors	11,344,768	3.65
Smithkline Beecham Biologicals Manufacturing S.A	10,118,748	3.26

Changes to interest in own shares

Neither the Company nor any Employee Benefit Trust holds any shares in the Company.

The Board

Members	Director since	Meeting attendance 2010-11
Peter Jensen	October 2010	13 / 13
Manuel Llobet	July 2009	18 / 18
Ian Postlethwaite	July 2004	18 / 18
Stephen Smith	September 2004	18 / 18
Alejandro Weinstein	July 2009	12 / 18
Ignace Goethals	September 2004	18 / 18
Virinder Nohria	November 2005	15 / 18
Tom Holdich	September 2004	5 / 5
Christian Graetz	September 2004	4 / 5
Keith Carter	September 2004	7 / 8

The Board is led by the Chairman, who is non executive and comprises the Chief Executive Officer, the Finance Director, and four other Non-Executive Directors. Biographical details of all Board members are shown on pages 38 and 39. The roles of Chairman and Chief Executive Officer are separate. The Directors feel that given the current size of the Group, the roles of Company Secretary and Finance Director are not deemed necessary to be separated. All Directors have direct access to the services and advice of the Company Secretary and to external independent professional advice at the expense of the Group.

The Board has a formal schedule of matters specifically reserved to it for decision at Board meetings. This covers strategy and management, financial reporting and controls, internal controls, major contracts, external communications with investors, executive committee appointments and remuneration, appropriate delegation of authority, corporate governance matters and appropriate policies for key areas including health and safety, corporate social responsibility and the environment.

The Board delegates certain other responsibilities to committees, details of which are set out below.

Board Committees

The Company has an Audit Committee, a Remuneration Committee and a Nominations Committee all with written terms of reference including formally delegated duties and responsibilities. The chairman of each committee reports directly to the Board.

The Audit Committee comprised Stephen Smith (Chairman) and Ignace Goethals. The Audit Committee meets at least twice each year and is responsible for ensuring that the financial performance of the Group is properly reported and monitored, meeting with the auditors, reviewing the reports from the auditors relating to the financial statements and monitoring the internal control function.

The Remuneration Committee comprised Stephen Smith (Chairman), Ignace Goethals and Virinder Nohria. The Remuneration Committee reviews the compensation policy and strategy for the Group as a whole and the scale and structure of the executive Directors' remuneration packages including the terms of their service contracts. No Director takes part in the discussion of his own remuneration. This committee is also responsible for grant of shares under the Group's Long Term Share Incentive Plan.

The Nomination Committee comprises Peter Jensen (Chairman), Ignace Goethals, Stephen Smith and Alejandro Weinstein. The Committee held three meetings during the past financial year. The Nominations Committee's principle purpose is to consider and proffer proposals for the composition and size of the Board and its Committees as well as Board refreshment and succession planning.

Full details of Directors' remuneration and a statement of the Company's remuneration policy are set out in the Directors' Remuneration Report on pages 50 to 53.

Internal control

The Board has ultimate responsibility for the system of internal control maintained by the Group. The system is designed to manage rather than eliminate risk. It can provide only reasonable and not absolute assurance against material misstatement or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice and the identification and management of business risk. The Group has an internal audit function, reporting directly to the Audit Committee, which carries out reviews periodically of the Company's subsidiaries. The Group also has a budgeting and reporting system in place, with results compared to annual budgets and quarterly forecasts using variance analysis.

Shareholder relations

The Company maintains a policy of open dialogue with all shareholders to ensure that the objectives of the Group are understood. The Chief Executive Officer and the Finance Director make regular presentations to stakeholders and discuss any areas of concern and meet regularly with analysts and major shareholders to provide information about the Group. Press releases, general information on the Group, shareholder presentations and investor information are to be accessed via the Group's website, www.allergytherapeutics.com

Annual General Meeting

The notice convening and giving details of the Annual General Meeting of the Company accompanies this report.

Engagement of auditor for the supply of non-audit services

It is the Group's policy that it will only engage the Group's auditor to supply other professional services to the Group and its subsidiary undertakings if it is satisfied that all the usual conditions of engagement and benchmarks are met. Any agreement to purchase services costing more than £10,000 per engagement must have the prior approval of the Audit Committee.

In determining the policy, the Audit Committee has taken into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm and does not agree to the auditor providing a service if, having regard to the ethical guidance, the result is that the external auditor audits its own work, the external auditor makes management decisions for the Group, a mutuality of interest is created or the external auditor is put in the role of advocate for the Group.

Research and development

The Group will continue it's policy of investment in research and development, although this will be at a lower level of spend than that seen a few years ago, in order to improve its competitive position in the market. However, with the focus in Germany on a portfolio of registered products it is expected that additional clinical information will be required on some of these products over the next few years to 2017. In accordance with International Financial Reporting Standards (IFRS), during the year the Group expensed to the income statement £1.7m (2010: £2.2m) on research and development. Further details on the Group's research and development are included in the Chief Executive's Review on pages 12 to 15.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on page 8, the Chief Executive's Review on pages 12 to 15 and the Financial Review on pages 30 to 35. The financial

position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Finance Director's Finance Review on pages 30 to 35. In addition, Note 24 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to foreign currency risk, interest rate risk and liquidity risk.

After making appropriate enquiries, which included a review of the annual budget, considering the cash flow requirements for the foreseeable future, noting that the borrowing facility was not due for renewal until 2014 and the effects of sales and foreign exchange sensitivities on the Group's funding plans, the Directors continue to believe that the Group will have adequate resources to continue in operational existence for the foreseeable future and accordingly have applied the going concern principle in drawing up the financial statements. In reaching this view, the Directors have considered and prioritised the actions that could be taken to offset the impact of any shortfall in operating performance.

Market value of land and buildings

All freehold properties are stated at market value. The Group's policy is that a full revaluation is carried out every five years with an interim valuation carried out in the third year after each full valuation. In the intervening years the directors review the carrying values of the freehold land and buildings to ensure that there have been no material variations.

Creditors' payment policy and practice

The Group agrees payment terms with suppliers when it enters into contracts for the purchase of goods or services and generally seeks to abide by those terms when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. During the last quarter of the year terms with some trade creditors were temporarily renegotiated, although less so than in the previous year. Shortly after the year end normal terms were resumed. Whilst the Company had no trade creditors, the number of trade creditor days for the Group at 30 June 2011 was 62 days (2010: 72 days).

Dividend

The Company is unable to declare a dividend.

Charitable and political contributions

The Group made no political or charitable contributions during the year.

Employment policies

Equal opportunities

The Group is committed to providing equal opportunities in employment irrespective of background, age, sexual orientation, religion, gender, nationality, marital status or disability. Our aim is to attract the best people in the industry and we believe in maximising every employee's potential. The Group does not tolerate any harassment or discrimination.

Disabled people

The Group, in considering applications for employment from disabled people, seeks to ensure that fair consideration is given to the abilities and aptitudes of the applicant while having regard to the requirements of the job for which he or she has applied. Employees who become unable to carry out the requirements of the job for which they have been employed are given individual consideration and, depending on the nature, severity and duration of the disability may be considered for alternative work.

Communication

The Group has an open communication policy with its employees. Regular communication on the strategy, plans and performance of the Group is undertaken and reinforced by site meetings of staff as well as briefings by Directors and line management. In the UK, employees have access to Group information on the intranet. Information about the Group is also available on the internet at www.allergytherapeutics.com

Health & Safety

The Group is committed to providing a safe environment for its employees and others who are engaged in or may be impacted by the Group's operations and considers health & safety a priority. Policies relating to Health & Safety are set out on the Group's Intranet and Staff Handbook. Procedures are monitored and improvements identified through periodic audits and safety inspections. The Group's Health and Safety Committee meets regularly to discuss issues and promote good practice with Health & Safety Officers promoting and monitoring safe working conditions.

Statement of Directors' responsibilities – Group Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Directors' responsibilities – Company Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditor in accordance with section 489 of the Companies Act 2006. A resolution for their reappointment is to be proposed at the forthcoming Annual General Meeting.

By order of the Board on 16 September 2011.

Ian Postlethwaite
Finance Director
16 September 2011

Directors' Remuneration Report

The Remuneration Committee

The Remuneration Committee comprised Stephen Smith (Chairman), Ignace Goethals and Dr Virinder Nohria. The Committee held 6 meetings during the past financial year. The principal purpose of the Committee is to determine and agree the directors' salary increases, annual bonuses, scope of pension arrangements and any changes in benefits. In addition, the Committee also agrees the share-related compensation for the directors and other executive management and other executive compensation matters.

Members	Member since	Attendance at meetings 2010-11
Stephen Smith	November 2004	6 / 6
Ignace Goethals	November 2004	6 / 6
Virinder Nohria	November 2005	5 / 6

Remuneration policy

The Committee's policy is to set remuneration packages for Executive Directors that are competitive with the market, allowing the Company to attract, motivate and retain executives of the highest calibre. Remuneration packages are designed to reward executives for performance via annual bonus payments and awards of share-related compensation, which together constitute a potentially significant proportion of the total remuneration opportunity.

The remuneration of Executive Directors comprises the following elements:

(i) Basic salary

Basic salary is reviewed annually as at 1 October, taking into account personal performance, and benchmarked against the Comparator Group.

(ii) Taxable benefits

Taxable benefits represent the provision of a car allowance and private medical insurance.

(iii) Share options

No share options were granted in the year. The share options granted to individual Executive Directors to date are disclosed later in this report and comprise grants made in prior years under previous approved and unapproved option schemes. Share options previously granted by Allergy Therapeutics (Holdings) Limited were surrendered on 5 October 2004 for share options in Allergy Therapeutics plc, on substantially the same terms.

(iv) Long Term Incentive Plan

During the year ended 30 June 2011 provisional shares were awarded to directors and senior management under the Allergy Therapeutics plc 2005 Long Term Incentive Plan. Distribution of shares under the Plan is conditional on the Group's performance over the 3-year Plan Cycle. The number of provisional shares awarded to Executive Directors under the Plan is shown in the Directors' share option table.

(v) SAYE Plan

During the year ended 30 June 2011 no offer was made to employees or executives under the SAYE scheme. The 2005 SAYE Plan was open to all employees and full-time Executive Directors who had completed 12 months continuous service at the offer date. Share options were granted at a discount to the share price at the date of grant. The number of options granted to each participant is related to the amount which the participant has contracted to save over the 3-year term of the Plan. The number of share options granted to Executive Directors under the Plan is shown in the Directors' share options table.

(vi) Bonus

In the case of the executive team, the Group operates a performance-related cash bonus based upon individual performance and achievement of personal and corporate objectives. Annual bonus payments are capped under service contracts at 40% for Manuel Llobet and 30% for all other directors except Christian Grätz, whose bonus is uncapped. The bonus is determined and agreed by the Remuneration Committee in September each year for the preceding financial year.

(vii) Pension arrangements

The UK Company operates a defined-contribution Personal Pension scheme and currently makes pension contributions equal to 10% of salary for Executive Directors, with the exception of Manuel Llobet for whom the Company contributes 15% of salary (subject to HMRC cap). Christian Grätz was a member of the Bencard Allergie GmbH pension scheme in Germany.

Service contracts

Executive Directors	Date of contract*	Notice period
Manuel Llobet	1 July 2009	6 months
Ian Postlethwaite	7 May 2002	12 months
Christian Grätz	1 April 2001	12 months
Tom Holdich	2 August 2004	6 months

*The above dates for Ian Postlethwaite and Tom Holdich refer to service contracts with Allergy Therapeutics (Holdings) Limited and for Christian Grätz, with Bencard Allergie GmbH. The service contracts for Ian Postlethwaite and Tom Holdich were amended on 5 October 2004 to reflect the change of employer to Allergy Therapeutics plc.

Christian Grätz resigned as a Director with effect from 30 September 2010 and resigned as an employee with effect from 31 March 2011.

Tom Holdich resigned as a Director with effect from 30 September 2010.

Non-Executive Directors	Date of contract	Notice period
Ignace Goethals	8 September 2004	3 months
Stephen Smith	8 September 2004	3 months
Virinder Nohria	1 November 2005	3 months
Alejandro Weinstein	1 July 2009	3 months
Keith Carter	1 September 2009	3 months
Peter Jensen	1 October 2010	3 months

The above contracts for Ignace Goethals and Stephen Smith replaced previous service contracts in respect of Non-Executive Director roles in the Group's former holding company.

Keith Carter resigned as a Non-Executive Director with effect from 31 December 2010.

Directors' remuneration (audited information)

Details of remuneration of those who served as directors during the year are set out below.

	Year ended 30 June 2011							Year ended 30 June 2010	
	Basic salary	Bonus the year	Cash allowance in lieu of pension	Taxable benefits	Fees	Total	Pension	Total	Pension
	£	£	£	£	£	£	£	£	£
Manuel Llobet	**188,140**	**64,000**	**8,221**	**11,170**	**-**	**271,531**	**19,999**	228,541	21,100
Ian Postlethwaite	**148,099**	**31,080**	**-**	**10,782**	**-**	**189,961**	**14,809**	199,202	14,484
Christian Grätz	**139,758**	**-**	**-**	**23,262**	**30,990**	**194,010**	**21,512**	240,985	40,957
Tom Holdich	**153,314**	**51,480**	**-**	**11,170**	**-**	**215,964**	**15,331**	178,640	14,994
Peter Jensen	**41,500**	**-**	**-**	**-**	**-**	**41,500**	**-**	-	-
Stephen Smith	**-**	**-**	**-**	**-**	**36,000**	**36,000**	**-**	36,000	-
Alejandro Weinstein	**36,000**	**-**	**-**	**-**	**-**	**36,000**	**-**	36,000	-
Ignace Goethals	**36,000**	**-**	**-**	**-**	**-**	**36,000**	**-**	36,000	-
Virinder Nohria	**36,000**	**-**	**-**	**-**	**-**	**36,000**	**-**	36,167	-
Keith Carter	**-**	**-**	**-**	**-**	**18,000**	**18,000**	**-**	712,481	20,265
Totals	**778,811**	**146,560**	**8,221**	**56,384**	**84,990**	**1,074,966**	**71,651**	1,704,016	111,800

Christian Grätz' salary was paid in Euros and is shown here converted at a rate of £1:€1.1731 as at 30 June 2011.

A severance payment of £30,990 was paid to Christian Grätz in the year. This figure is included in the fees column within the table above.

The audited information detailed above is summarised in Note 6 to the accounts.

Directors' share options and LTIPs

	Options held at 1 July 2010	Options granted in the year	Options exercised in the year	Options lapsed in the year	Directorship resigned in the year	Options held at 30 June 2011	Sub-scription price pence	Exercise date from	Expiry date
Executive Directors									
Manuel Llobet	*750,000	-	-	-		*750,000	-	-	-
	-	*720,000	-	-		*720,000	-	-	-
Ian Postlethwaite	400,000	-	-	-		400,000	30.0	03/06/2002	03/06/2012
	1,500,000	-	-	-		1,500,000	5.0	17/12/2002	17/12/2012
	163,500	-	-	-		163,500	18.5	18/10/2009	18/10/2019
	*169,691		-	*169,691		-	-	-	-
	*600,000	-	-	-		*600,000	-	-	-
	-	*360,000	-	-		*360,000	-	-	-
Christian Grätz	1,400,000	-	-	-	1,400,000	-	5.0	18/12/2002	18/12/2012
	188,500	-	-	-	188,500	-	18.5	18/10/2009	18/10/2019
	*198,320	-	-	-	*198,320	-	-	-	-
	*600,000	-	-	-	*600,000	-	-	-	-
Tom Holdich	97,400	-	-	-	97,400	-	18.5	18/10/2009	18/10/2019
	*176,805	-	-	-	*176,805	-	-	-	-
	*600,000	-	-	-	*600,000	-	-	-	-
Non-Executive Directors									
Stephen Smith	150,000	-	-	-		150,000	45.0	26/02/2005	26/02/2014
Ignace Goethals	150,000	-	-	-		150,000	45.0	26/02/2005	26/02/2014
Virinder Nohria	100,000	-	-	-		100,000	45.0	15/12/2003	15/12/2013
Keith Carter	231,000	-	-	-	231,000	-	18.5	18/10/2009	18/10/2019
Totals	**7,475,216**	**1,080,000**	**-**	**169,691**	**3,492,025**	**4,893,500**			

* Long Term Incentive Plan

The aggregate amount of gains made by Directors upon the exercise of share options in the year ended 30 June 2011 was £nil (year ended 30 June 2010 £153,813).

At 30 June 2011 the London Stock Exchange market value of shares was 14.0p per share. The range of values during the period from 1 July 2010 to 30 June 2011 was 6.88p to 17.25p per share.

Stephen Smith
Chairman, Remuneration Committee
16 September 2011

Nominations Committee Report

The Nominations Committee comprises Peter Jensen, Stephen Smith, Ignace Goethals and Alejandro Weinstein. The Committee has been chaired by Peter Jensen since 1 January 2011 and was previously chaired by Stephen Smith. The Nominations Committee was established in September 2009 and held three meetings during the past financial year. Its principal purpose is to consider and proffer proposals for the composition and size of the Board and its Committees as well as Board refreshment and succession planning.

Members	Member since	Attendance at meetings 2010-11
Stephen Smith	September 2009	3 / 3
Ignace Goethals	September 2009	3 / 3
Alejandro Weinstein	September 2009	3 / 3
Peter Jensen	October 2010	1 / 1

When proposing appointments of Directors, the Committee considers the skills, knowledge and experience that a candidate possesses compared to the skill sets and experience of the Board as it currently stands. Selection of candidates also takes into consideration the breadth of knowledge that the Board has and that it may require to provide a well balanced environment which encourages scrutiny and appropriate challenge of the Executive management. Independence of Non-Executive Directors is of paramount importance being a cornerstone of good corporate governance.

The Committee's principal focus during the year ended 30 June 2011 was the change in composition of the board. A search for an additional non-executive director was undertaken with the assistance of Hanson Green and resulted in the appointment of Peter Jensen in October 2010. Following other changes to the board recommended by the Committee the size of the board reduced from nine to seven and includes five non-executive directors three of whom are regarded as independent.

Peter Jensen
Chairman, Nominations Committee
16 September 2011

Independent Auditor's Report to the Members of Allergy Therapeutics plc (Group)

We have audited the group financial statements of Allergy Therapeutics plc for the year ended 30 June 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cashflow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 48, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 30 June 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Allergy Therapeutics plc for the year ended 30 June 2011.

Christian Heeger
Senior Statutory Auditor for and on behalf of
Grant Thornton UK LLP Statutory Auditor,
Chartered Accountants Gatwick
16 September 2011

Consolidated Income Statement

Consolidated income statement for the year ended 30 June 2011

	Note	Year to 30 June 2011 £'000	Year to 30 June 2011 £'000	Year to 30 June 2010 £'000	Year to 30 June 2010 £'000
Revenue	3		**41,552**		40,750
Cost of sales			**(13,221)**		(11,164)
Gross profit			**28,331**		29,586
Distribution costs			**(17,524)**		(16,141)
Administration expenses – other		**(9,232)**		(10,235)	
Research and development costs		**(1,670)**		(2,210)	
Administration expenses			**(10,902)**		(12,445)
Other income	8		**210**		456
Operating profit			**115**		1,456
Finance income	10		**2**		9
Finance expense	9		**(2,430)**		(1,581)
Loss before tax	5		**(2,313)**		(116)
Income tax	11		**(349)**		702
(Loss) / Profit for the period			**(2,662)**		586
(Loss) / Earnings per share	13				
Basic (pence per share)			**(0.86p)**		0.20p
Diluted (pence per share)			**(0.86p)**		0.19p

Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income for the year ended 30 June 2011

	Note	Year to 30 June 2011 £'000	Year to 30 June 2010 £'000
(Loss) / Profit for the period		**(2,662)**	586
Actuarial gain / (loss) on defined benefit pension scheme	26	**235**	(612)
Exchange differences on translation of foreign operations		**586**	(79)
Revaluation (losses) / gains		**(54)**	1,265
Income tax relating to components of other comprehensive income		**-**	(31)
Total comprehensive income		**(1,895)**	1,129

Consolidated Balance Sheet

Consolidated balance statement

	Note	30 June 2011 £'000	30 June 2010 £'000
Assets			
Non-current assets			
Property, plant and equipment	16	**8,809**	8,938
Intangible assets – Goodwill	14	**2,624**	2,496
Intangible assets – Other	15	**1,781**	860
Investments – Retirement benefit asset	17	**2,493**	2,017
Total non-current assets		**15,707**	14,311
Current assets			
Trade and other receivables	19	**6,779**	3,390
Inventories	18	**7,087**	6,894
Cash and cash equivalents	20	**1,048**	4,520
Total current assets		**14,914**	14,804
Total assets		**30,621**	**29,115**
Liabilities			
Current liabilities			
Trade and other payables	21	**(7,549)**	(8,875)
Current borrowings	22	**(2,793)**	(1,109)
Derivative financial instruments	24	**(805)**	-
Total current liabilities		**(11,147)**	(9,984)
Net current assets		**3,767**	**4,820**
Non current liabilities			
Retirement benefit obligation	26	**(4,114)**	(3,573)
Non current borrowings	22	**(12,361)**	(10,596)
Derivative financial instruments	24	**(376)**	(830)
Deferred taxation	12	**(201)**	-
Non current provisions	23	**(283)**	(246)
Total non current liabilities		**(17,335)**	(15,245)
Total liabilities		**(28,482)**	**(25,229)**
Net assets		**2,139**	**3,886**
Equity			
Capital and reserves			
Issued capital	27	**321**	321
Share premium		**58,705**	58,704
Merger reserve – shares issued by subsidiary		**40,128**	40,128
Reserve – shares held by EBT		**67**	67
Reserve – share based payments		**1,398**	1,323
Revaluation reserve		**1,287**	1,381
Foreign exchange reserve		**524**	(62)
Retained earnings		**(100,291)**	(97,976)
Total equity		**2,139**	**3,886**

These financial statements were approved by the Board of Directors on 16 September 2011 and were signed on its behalf by

Manuel Llobet
Chief Executive Officer

Ian Postlethwaite
Finance Director

Registered number: 05141592

Consolidated Statement of Changes in Equity

	Issued capital	Share premium	Merger reserve-shares issued by subsidiary	Reserve-shares held in EBT	Reserve share based payments	Revaluation reserve	Foreign exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 30 June 2009	**92**	**33,193**	**40,128**	**67**	**1,291**	**189**	**(1,113)**	**(97,023)**	**(23,176)**
Exchange differences on translation of foreign operations							(79)		(79)
Actuarial losses								(612)	(612)
Valuation gains taken to equity						1,265			1,265
Income tax relating to components of other comprehensive income						(31)			(31)
Other comprehensive income	-	-	-	-	-	1,234	(79)	(612)	543
Profit for the period after tax								586	586
Total comprehensive income	-	-	-	-	-	1,234	(79)	(26)	1,129
Share based payments					193				193
Shares issued	229	25,511							25,740
Transfer of depreciation on revalued property						(42)		42	-
Correction of prior period immaterial errors							1,130	(1,130)	-
Transfer of lapsed options to retained earnings					(161)			161	-
At 30 June 2010	**321**	**58,704**	**40,128**	**67**	**1,323**	**1,381**	**(62)**	**(97,976)**	**3,886**
Exchange differences on translation of foreign operations							586		586
Actuarial gains								235	235
Valuation losses taken to equity						(54)			(54)
Other comprehensive income	-	-	-	-	-	(54)	586	235	767
Loss for the period after tax								(2,662)	(2,662)
Total comprehensive income	-	-	-	-	-	(54)	586	(2,427)	(1,895)
Share based payments					147				147
Shares issued		1							1
Transfer of depreciation on revalued property						(40)		40	-
Transfer of lapsed options to retained earnings					(72)			72	-
At 30 June 2011	**321**	**58,705**	**40,128**	**67**	**1,398**	**1,287**	**524**	**(100,291)**	**2,139**

Consolidated Cash Flow Statement

	Note	Year to 30 June 2011 £'000	Year to 30 June 2010 £'000
Cash flows from operating activities			
Loss before tax		**(2,313)**	(116)
Adjustments for:			
Finance income	10	**(2)**	(9)
Finance expense	9	**1,085**	1,499
Revaluation loss on loan	9	**1,345**	82
Non cash movements on defined benefit pension plan		**181**	155
Depreciation and amortisation	15, 16	**1,698**	1,427
Gain on bargain purchase	29	**(186)**	-
Charge for share based payments		**147**	193
Financial derivative instruments		**805**	(1,172)
Disposal of property, plant and equipment		**8**	-
(Increase) in trade and other receivables		**(2,728)**	(112)
Decrease / (increase) in inventories		**73**	(911)
(Decrease) / increase in trade and other payables		**(1,788)**	14
Net cash (used in) / generated by operations		**(1,675)**	1,050
Interest paid		**(3)**	(15)
Income tax (paid) / refunded		**(349)**	667
Net cash (used in) / generated by operating activities		**(2,027)**	1,702
Cash flows from investing activities			
Interest received		**3**	9
Investments		**(313)**	(319)
Acquisitions	29	**(740)**	-
Payments for intangible assets		(87)	(56)
Payments for property plant and equipment		**(1,150)**	(1,642)
Net cash used in investing activities		**(2,287)**	(2,008)
Cash flows from financing activities			
Proceeds from issue of equity shares		**1**	25,740
Repayment of borrowings		**(7,016)**	(41,040)
Proceeds from borrowings		**9,024**	22,442
Bank loan fees and interest paid		**(1,245)**	(2,248)
Net cash generated by financing activities		**764**	4,894
Net (decrease) / increase in cash and cash equivalents		**(3,550)**	4,588
Effects of exchange rates on cash and cash equivalents		**78**	(42)
Cash and cash equivalents at the start of the period		**4,520**	(26)
Cash and cash equivalents at the end of the period		**1,048**	4,520

Notes to the Financial Statements

1. Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in issue as adopted by the European Union ('EU').

Allergy Therapeutics plc is the Group's ultimate parent company. The Company is a limited liability company incorporated and domiciled in England. The address of Allergy Therapeutics plc's registered office and its principal place of business is Dominion Way, Worthing, West Sussex and its shares are listed on the Alternative Investment Market (AIM). The consolidated financial statements for the year ended 30 June 2011 (including comparatives) have been prepared under the historical cost convention except for land and buildings and derivative financial instruments which have been measured at fair value. They were approved and authorised for issue by the Board of Directors on 16 September 2011.

New standards adopted

The Group has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board which are relevant to and effective for the Group's financial statements for the year beginning 1 July 2010.

IFRS 3 Business Combinations (revised 2008)

During 2011 the Group adopted IFRS 3 revised. In anticipation of this, £120,000 of transactions costs were recognised through the Group's consolidated income statement in 2010 which related to the acquisition of Teomed AG as detailed in Note 29.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group in the 30 June 2011 financial statements

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective. The Group has not adopted any of these pronouncements early. The new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements are as follows:

IFRS 9 Financial Instruments (effective 1 January 2013)

This IFRS replaced IAS39 and addresses the usefulness for users of financial statements by simplifying the classification and measurement requirements for financial instruments. Management are currently assessing the detailed impact on the Group's financial statements.

IFRS 10 Consolidated Financial Statements (effective 1 January 2013)

This IFRS establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)

This IFRS looks at the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 Fair Value Measurement (effective 1 January 2013)

IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'.

IAS 19 (Revised June 2011) Employee Benefits (effective 1 January 2013)

IAS 19 reviews the treatment of employee benefits with a view to recognising the cost in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

IAS 27 (Revised) Separate Financial Statements (effective 1 January 2013)

IAS 27 is concerned with the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, and in accounting for investments in subsidiaries, jointly controlled entities and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

Amendments to IFRS 7 Disclosures on Transfers of Financial Assets (effective 1 July 2011)

IFRS 7 addresses the need for additional disclosures on financial instruments regarding the significance, nature and risk arising from their use.

Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets (effective 1 January 2012)

This IAS prescribes the treatment for income taxes.

Amendments to IAS 1 Presentation of Other Comprehensive Income (effective 1 July 2012)

This IAS amendment revises the way the statement of other comprehensive income should be presented requiring separate subtotals for those elements which may be 'recycled' (e.g. cash-flow hedging, foreign currency translation), and those elements that will not.

Management anticipate that the above pronouncements will be adopted in the Group's financial statements in line with the effective dates stated above. Management are currently assessing their detailed impact on the Group's financial statements.

Other new standards and Interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Going concern

For the year ended 2011 and for the second year in succession, the Group has reported an operating profit, however the Group reported a loss after tax of £2.7m (2010: £0.6m profit) and an operating cash outflow of £2.0m (2010: £1.7m inflow), and these have been funded by the debt facilities.

The Group has prepared detailed budgets, including cash flow projections, for the periods ending 30 June 2012 and 30 June 2013. These projections include assumptions on the trading performance of the operating business and the continued availability of the existing debt facilities. After making appropriate enquiries, which included a review of the annual budget, by considering the cash flow requirements for the foreseeable future and the effects of sales and other sensitivities on the Company's funding plans, the Directors continue to believe that the Group will have adequate resources to continue in operational existence for the foreseeable future and accordingly have applied the going concern principle in drawing up the financial statements. In reaching this view, the Directors have considered and prioritised the actions that could be taken to offset the impact of any shortfall in operating performance.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Consolidation

The Group's financial statements consolidate those of the parent company and all of its subsidiaries drawn up to 30 June 2011. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of over one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated on the date control ceases.

The Group uses the purchase method of accounting for the acquisition of a subsidiary. The cost of an acquisition is measured by the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination that meet the conditions for recognition under IFRS 3 Revised Business Combinations, are recognised at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated except for unrealised losses if they show evidence of impairment.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used in the Group.

Goodwill

Goodwill arising from business combinations is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities and contingent liabilities acquired. It is initially recognised as an intangible asset at cost and is subject to impairment testing on an annual basis or more frequently if circumstances indicate that the asset may have been impaired. Details of impairment testing are described in the accounting policies.

Intangible assets

Acquired as part of a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets

An internally generated intangible asset arising from development (or the development phase) of an internal project is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, research and development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of all intangible assets is calculated on a straight line basis over the useful economic life using the following annual rates:

Manufacturing know-how	15 years
Non-competing know-how	4 years
Other intangibles	15 years
Computer software	7 years

These periods were selected to reflect the various assets' useful economic lives to the Group.

The cost of amortising intangible assets is included within administration costs in the consolidated income statement.

Segmental reporting

In identifying its operating segments, management follow the Group's revenue lines which represent the main geographical markets within which the Group operates. These operating segments are managed separately as each requires different local expertise, regulatory knowledge and a specialised marketing approach. An operating segment is a group of assets and activities engaged in operations that is subject to risks and returns that are different from those of other business segments. A market based operating segment is engaged in production, marketing and selling within a particular economic environment that is different from that in segments operating in other economic environments. All inter-segment transfers are carried out at arm's length prices.

The Group's operating segments are market based and are reported in a manner consistent with the internal reporting provided to the Group's Chief Operating Decision Maker (CODM) who has been identified as the Board of Directors. The CODM is responsible for allocating resources and assessing the performance of the operating segments.

Foreign currency translation

Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Group's presentational currency is Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at reporting period end exchange rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss.

Group companies

The results and financial position of all Group entities that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet with all resulting exchange differences being recognised in other comprehensive income and accumulated in a separate component of equity.
- Income and expenses for each income statement item are translated at actual exchange rates or using an average rate as an approximation with resulting exchange differences recognised in other comprehensive income and accumulated in a separate component of equity.

The Group has taken advantage of the exemption in IFRS 1 which allows all foreign exchange differences on consolidation to be set at zero at transition and the foreign exchange reserve therefore only shows post transition foreign exchange differences.

Income recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, net of statutory rebates paid in Germany and excluding value added tax. Revenue is recognised upon the performance of services or transfer of risk to the customer.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods which is generally when the customer has physically received the goods.
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold which is again when the customer has physically received the goods.
- the amount of revenue can be measured reliably.
- it is probable that the economic benefits associated with the transaction will flow to the Group, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

A small proportion of the Group's overseas sales are made though licensees and distributors.

For all licensee arrangements, the licensee is invoiced at the time of delivery and title to the product passes upon

full and final settlement of the invoice to which the delivery relates. The licensee has full discretion over the setting of the final selling price to the end customer and pays a fixed percentage of the final selling price back to the Group as 'royalties' as and when those sales are made. The licensee is responsible for all customer returns of product.

It is considered that the significant risks and rewards of ownership of the product are transferred to the licensee at the point of delivery and therefore revenue is recognised at this point in accordance with IAS 18. Royalties are recognised on an accruals basis as the licensee books the sale to the end customer in accordance with IAS 18 paragraph 30 (b).

For all distributor agreements, the distributor places orders with the Group, at which point goods are shipped to them. The Group however, holds title to these products until they are sold on to a third party with the distributor effectively acting as an agent. The selling price to the end user is set by the relevant Government body and the distributor receives a fixed percentage of this selling price. The distributor notifies the Group monthly on stock levels and this is reconciled to a statement which generates an invoice for payment by the distributor. The Group is responsible for any customer returns of product. It is considered that the significant risks and rewards of ownership of the product are not transferred from the Group until the distributor has sold the product to a third party and therefore revenue on these sales is recognised at this point by the Group in accordance with IAS 18 appendix 2 (c).

Expenditure recognition

Operating expenses are recognised in the income statement upon utilisation of the service or at the date of their origin.

Borrowing costs

Borrowing costs primarily comprise interest on the Group's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance costs'.

Property, plant and equipment

Following the introduction of IAS 16, the Group has adopted a policy of revaluation of freehold properties. In accordance with this policy management have agreed that all freehold properties will be subject to a full revaluation at least every five years with an interim valuation carried out in accordance with IAS16 in the third year after each valuation.

Revaluations are performed by independent qualified and experienced valuers who have adequate local knowledge in the country in which the property is situated. In the intervening years between independent revaluations, the directors review the carrying values of the freehold land and buildings and adjustments are made if the carrying values differ significantly from their respective fair values. Increases in the carrying value from revaluations are recognised in other comprehensive income. Decreases in the carrying values arising from revaluations are first offset against increases from earlier revaluations in respect of the same assets and are thereafter charged to profit or loss.

Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Provision for depreciation of all tangible assets of the Group (except land) is made over their estimated useful lives, on a straight line basis principally using the following annual rates:

Buildings	33 years
Computer equipment	3 – 7 years
Motor vehicles	4 years
Fixtures and fittings	5 – 10 years
Plant and equipment	5 – 10 years

Asset residual values and useful lives are reviewed annually and amended as necessary. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds the higher of the asset's fair value less costs to sell or value in use.

Assets under course of construction are capitalised but not depreciated. Once the asset is ready for use, it is transferred to the relevant heading and depreciated accordingly.

Depreciation is included within operating expenses in the income statement.

Impairment

The Group's goodwill, other intangible assets, freehold land and buildings and plant & equipment are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Goodwill is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual assets or cash generating units that include goodwill with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets or cash generating units carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Inventories

Inventory is carried at the lower of cost or net realisable value. The costs of raw materials, consumables, work in progress and finished goods are measured by means of weighted average cost using standard costing techniques. Cost of finished goods comprises direct production costs such as raw materials, consumables, utilities and labour, and production overheads such as employee costs, depreciation, maintenance and indirect factory costs. Standard costs are reviewed regularly in order to ensure relevant measures of utilisation, production lead time and appropriate levels of manufacturing expense are reflected in the standards.

Net realisable value is calculated based on the revenue from sale in the normal course of business less any costs to sell.

Leases

Operating lease rentals are charged to the income statement over the term of the lease. There are no finance leases.

Financial assets

Financial assets consist of cash and other receivables. Financial assets are assigned to their different categories by management on initial recognition, depending on the contractual arrangements.

Cash and cash equivalents comprise cash on hand, demand deposits and overdrafts, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument and loans and receivables are initially recognised at fair value plus transaction costs, and subsequently at amortised cost, with any changes going through profit or loss.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities

The Group's financial liabilities include bank loans, trade and other payables and derivatives.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in 'Finance costs' in the income statement.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings comprise secured bank borrowings, and are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Derivative financial instruments

The Group uses interest rate swaps, Euro forward contracts and Euro exchange swaps to manage the exposure to changes in interest and translation rates and these are classified as derivative financial instruments. All derivative financial instruments are initially measured at fair value on acquisition and are subsequently restated to fair value at each reporting date. Any change in the fair value of the instruments is recognised in the profit and loss.

Equity

Equity comprises the following:

- "Issued capital" represents the nominal value of equity shares that have been issued.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Merger reserve" represents shares issued by the subsidiaries.
- "Reserve - Shares held in EBT" represent the shares acquired by a trust set up for the benefit of the Group's employees. These shares are deducted from shareholders funds at the cost that the shares were acquired. The net proceeds received from the issue of these shares through the exercise of options are also recognised through this reserve.

- "Share based payments reserve" represents equity-settled share-based employee remuneration until such share options are exercised.
- "Revaluation reserve" represents the revaluations of investment assets and land and buildings.
- "Foreign Exchange reserve" represents the foreign currency translation differences that have occurred since the transition date. Exchange differences prior to this date are included within retained earnings.
- "Retained earnings" represents retained profits and losses.

Equity is any contract which evidences a residual interest in the assets of the Group after deducting all its liabilities.

Income taxes

Current income tax assets and liabilities comprise those obligations to fiscal authorities in the countries in which the Group carries out its operations. They are calculated according to the tax rates and tax laws applicable to the fiscal period and the country to which they relate. All changes to current tax liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to other comprehensive income (such as the revaluation of land and buildings) in which case the related deferred tax is also charged or credited directly to other comprehensive income.

Defined Benefit Pension Scheme

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates that have terms to maturity approximating to the terms of the related liability. Appropriate adjustments are made for past service costs. Past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that benefits are already vested the Group recognises past service cost immediately.

Actuarial gains and losses are recognised immediately in other comprehensive income. The net surplus or deficit is presented with other net assets on the balance sheet. The related deferred tax is shown with other deferred tax balances. A surplus is recognised only to the extent that it is recoverable by the Group.

The current service cost, past service cost and costs from settlements and curtailments are charged against administrative expenses in the income statement. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs.

Short-term employee benefits, including holiday entitlement are included in current pension and other employee obligations at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Investments

Investments relate to long-term insurance policies that cannot be directly deducted from the German pension obligation. These are recognised as a separate asset, rather than as a deduction in determining the defined benefit liability. They are held at fair value with any gains or losses on valuation charged or credited to other comprehensive income.

Provisions

Provisions are recognised when the present obligations arising from legal or constructive obligations resulting from past events, will probably lead to an outflow of economic resources from the Group which can be estimated reliably.

Provisions are measured at the present value of the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Share based employee compensation

The Group operates equity settled share based compensation plans for remuneration of its employees including Save As You Earn (SAYE) and Long Term Incentive Plan (LTIP) schemes.

All employee services received in exchange for the grant of any share based compensation are measured at their fair values. These are indirectly determined by reference

to the share option or shares awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (e.g. profitability or sales growth targets). The fair value of LTIP shares, which have market conditions attached, includes an adjustment based on the probability of the shares vesting at the end of the vesting period.

Details of the SAYE and LTIP schemes and the conditions applying to each scheme are fully disclosed in Note 28 (Share Based Payments) on page 89.

All share based compensation is ultimately recognised as an expense in the consolidated income statement with a corresponding credit to the share based payments reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than estimated.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Employee Benefit Trust

The financial statements include the assets and liabilities of a trust set up for the benefit of the Group's employees. The employee benefit trust has acquired shares in the Company and these are deducted from the shareholders' funds on the balance sheet at the cost of acquisition.

Use of accounting estimates and judgements

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements and the key areas are summarised below:

Judgements in applying accounting policies

a) Identification of functional currencies requires analysis of the economic environments of the subsidiaries of the Group and the selection of the presentational currency reflects the requirements of the users of those statements.
b) Capitalisation of development costs requires analysis of the technical feasibility and commercial viability of the project concerned. Capitalisation of the costs will be made only where there is evidence that an economic benefit will accrue to the Group. To date no development costs have been capitalised and all costs have been expensed in the Income statement as research and development expenditure, £1.7m (2010: £2.2m).
c) Land and buildings were not revalued to fair value at the reporting date as management determined that the effect of the changes in market prices between the dates of revaluation and the reporting dates were immaterial.
d) Judgements have been made in respect of the identification and valuation of intangible assets made on the acquisition of Teomed AG, based on pre-acquisition forecasts, analysis and negotiations.

Sources of estimation uncertainty

a) Depreciation rates are based on estimates of the useful lives and residual values of the assets involved.
b) Estimates of future profitability are required for the decision whether or not to create a deferred tax asset.
c) Estimates are required as to asset carrying values and impairment charges.
d) Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating unit to which the goodwill has been allocated. This value in use calculation requires an estimation of the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.
e) Determining the goodwill position on the acquisition of Teomed AG on 1 July 2011 requires an estimation of the future cashflows relating to distributor agreements in place with Teomed AG on that date. It also requires estimation of a suitable discount rate in order to calculate the present value.

3. Revenue

An analysis of revenue by category is set out in the table below:

	2011 £'000	2010 £'000
Sale of goods	**40,445**	38,735
Royalties	**1,107**	2,015
	41,552	40,750

There were no milestone payments in either the current or previous year.

4. Segmental reporting

The Group's operating segments are being reported based on the financial information provided to the Board of Directors, which is the Chief Operating Decision-Maker (CODM), to enable it to allocate resources and make strategic decisions.

The CODM reviews information based on geographical market sectors and assesses performance at an EBITDA (operating profit before interest, tax, depreciation and amortisation) and operating profit level. Management have identified that the operating segments are Central Europe (Germany, Austria and the new markets in Switzerland and the Netherlands), Southern Europe (Italy and Spain), the UK and Other.

Revenue by segment

	Revenue from external customers 2011 £'000	Inter segment revenue 2011 £'000	Total segment revenue 2011 £'000	Revenue from external customers 2010 £'000	Inter segment revenue 2010 £'000	Total segment revenue 2010 £'000
Central Europe						
Germany	**27,390**		**27,390**	29,973		29,973
Other	**4,816**		**4,816**	933		933
	32,206		**32,206**	30,906		30,906
Southern Europe	**5,931**		**5,931**	5,562		5,562
UK	**700**	**34,925**	**35,625**	490	35,024	35,514
Other	**2,715**		**2,715**	3,792		3,792
	41,552	**34,925**	**76,477**	40,750	35,024	75,774

Revenues from external customers in all segments are derived from the sale of a range of pharmaceutical products designed for the immunological treatment of the allergic condition.

Other revenues include licensee and distributor sales and royalties through several world-wide markets including Czech and Slovak Republics, Canada and South Korea. Inter-segment revenues represent sales of product from the UK to the operating subsidiaries. The price is set on an arms-length basis which is eliminated on consolidation.

The CODM also reviews revenue by segment on a constant currency basis to provide relevant year on year comparisons. The following revenue table is based on a constant currency rate of €1.20: £1.00 which was the rate used in the 2011 budget.

	Revenue from external customers 2011 £'000	Revenue from external customers 2010 £'000
Central Europe		
Germany	**26,783**	28,409
Other	**4,855**	1,816
	31,638	30,225
Southern Europe	**5,689**	5,172
UK	**700**	490
Other	**2,638**	2,965
	40,665	38,852

Depreciation and amortisation by segment

	2011 £'000	2010 £'000
Central Europe	**74**	58
Southern Europe	**93**	99
UK	**1,531**	1,270
	1,698	1,427

EBITDA by segment

Allocated EBITDA	2011 £'000	2010 £'000
Central Europe	**363**	521
Southern Europe	**(189)**	313
UK	**1,639**	2,049
Allocated EBITDA	**1,813**	2,883
Depreciation and amortisation	**(1,698)**	(1,427)
Operating profit	**115**	1,456
Finance income	**2**	9
Finance expense	**(2,430)**	(1,581)
Loss before tax	**(2,313)**	(116)

Total assets by segment

	2011 £'000	2010 £'000
Central Europe	**9,849**	6,538
Southern Europe	**3,823**	3,255
UK	**33,436**	34,810
	47,108	44,603
Inter-segment assets	**(1,835)**	(1,620)
Inter-segment investments	**(14,652)**	(13,868)
Total assets per balance sheet	**30,621**	29,115

Total liabilities by Segment

	2011 £'000	2010 £'000
Central Europe	**(7,836)**	(5,633)
Southern Europe	**(1,646)**	(1,289)
UK	**(20,835)**	(19,927)
	(30,317)	(26,849)
Inter-segment liabilities	**1,835**	1,620
Total liabilities per balance sheet	**(28,482)**	(25,229)

5. Loss before tax

Loss for the period has been arrived at after charging:	2011 £'000	2010 £'000
Foreign exchange loss	**2,180**	730
Depreciation and amortisation:		
Depreciation of property plant and equipment (Note 16)	**1,355**	1,172
Amortisation of intangible assets (Note 15)	**343**	255
Research and development	**1,670**	2,210
Employee benefits expense:		
Employee costs (Note 7)	**17,459**	19,029
Land and buildings held under operating leases	**446**	398
Other operating leases	**503**	520
Acquisition costs	**-**	120
Audit and non-audit services:		
Fees payable to the Company's auditor for the audit of the Group accounts	**21**	21
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**54**	62
Tax services	**3**	2
Other services pursuant to legislation	**17**	11
Share based payment expense (Note 28)	**147**	193

6. Remuneration of key management personnel

	2011 £'000	2010 £'000
Salaries and short-term employee benefits	**1,044**	1,162
Social security costs	**98**	74
Severance payments	**31**	542
Post employment benefits – defined benefit plans	**22**	41
Post employment benefits – defined contribution plans	**50**	71
	1,245	1,890
Over accrual of bonuses	**-**	(50)
Share based payment	**46**	75
	1,291	1,915

Key management personnel are considered to be the Directors and full details of their remuneration are set out in the audited information included in the Director's Remuneration Report on pages 50 to 53.

7. Employees

	2011 £'000	2010 £'000
Wages and salaries	**14,684**	16,093
Social security costs	**2,158**	2,278
Share based payments	**147**	193
Pension costs – defined benefit plans	**261**	244
Pension costs – defined contribution plans	**209**	221
	17,459	19,029

The average number of employees during the period (including executive directors) was made up as follows:

	2011	2010
R&D, marketing and administration	**125**	136
Sales	**83**	72
Production	**165**	186
	373	394

8. Other income

	2011 £'000	2010 £'000
Gain on bargain purchase	**186**	-
Contribution from third party	**24**	456
	210	456

On 1 July 2010, Allergy Therapeutics plc acquired 100% of the issued share capital of Teomed AG (see Note 29). The acquisition gave rise to a gain on bargain purchase primarily due to the fair valuation of the existing distribution agreements exceeding the cash paid. These intangible assets represent the potential future discounted cashflows lost to the Group should these existing agreements be terminated. They were not recognised on the balance sheet of the acquired company.

During the previous year a facility had been constructed to manufacture a product component; previously this stage in the manufacturing process was carried out by the Company's supplier. A contribution of £456,000 was made towards the cost of this construction by the supplier. Under IFRS, this contribution is included in the consolidated income statement as other income whilst the asset is included under fixed assets in the consolidated balance sheet and depreciation is charged annually on the gross amount. A further £24,000 was received in the current year.

9. Finance expense

	2011 £'000	2010 £'000
Interest on borrowing facility	1,342	1,580
Change in fair value of financial derivative instrument	(454)	(289)
Bank interest	-	6
Employee defined benefit scheme interest expense	196	193
Other interest and charges	1	9
	1,085	1,499
Retranslation loss on Euro denominated borrowing facilities	1,345	82
	2,430	1,581

The revaluation loss represents the translation difference on the Group's Euro based borrowing facility caused by the movement of the Euro against Sterling throughout the year.

10. Finance income

	2011 £'000	2010 £'000
Bank interest	2	9

11. Income tax expense

Current Tax:	2011 £'000	2010 £'000
Prior period tax	(66)	(831)
Overseas tax	429	129
	363	(702)
Deferred tax – current year	(14)	-
Tax charge/(credit) for the period	349	(702)

The tax charge / (credit) assessed for the period is higher than the standard rate of corporation tax as applied in the respective trading domains where the Group operates. The differences are explained below:

	2011 £'000	2010 £'000
Loss for the period before tax	**(2,313)**	(116)
Loss for period multiplied by the respective standard rate of corporation tax applicable in each domain (average 27.5%)	**(636)**	(32)
Effects of:		
Disallowable adjustments	**589**	(437)
Capital allowances in excess of depreciation	**(2)**	(147)
Other fixed asset temporary differences, adjustments and movements	**23**	31
Tax utilised	**(24)**	(26)
Allowances for R&D expenditure	**(138)**	(386)
Tax losses not utilised	**650**	243
Adjustment for different tax rates	**(33)**	26
Relief for shares acquired by employees and Directors	**-**	(43)
Tax loss surrendered to R&D tax credit	**-**	900
R&D tax credit received in the period	**(66)**	(831)
	363	(702)
Deferred tax release	**(14)**	-
Tax charge/(credit) for the period	**349**	(702)

12. Deferred Tax

Recognised deferred tax

	2011 £'000	2010 £'000
At 1 July	**-**	-
Acquisition of Teomed AG (Note 29)	**177**	-
Released in the period	**(14)**	-
Exchange differences	**38**	-
	201	-

Deferred tax is provided under the balance sheet liability method using the local tax rate for the overseas difference.

Unrecognised deferred tax

	2011 Deferred tax assets £'000	2011 Deferred tax liabilities £'000	2010 Deferred tax assets £'000	2010 Deferred tax liabilities £'000
Non Current Assets				
Property, plant and equipment	-	(632)	-	(697)
Current Liabilities				
Derivative financial instruments	209	-	-	-
Non Current Liabilities				
Pension and other employee obligations	535	-	436	-
Derivative financial instruments	98	-	232	-
Share options	119	-	-	-
Unused tax losses	17,783	-	18,776	-
	18,744	(632)	19,444	(697)
Offset	(632)	632	(697)	697
Total	18,112	-	18,747	-

The main UK corporation tax rate is to change from 26% to 25% with effect from 1 April 2012. The unrecognised deferred tax assets have been calculated at 26%, being the rate enacted at 30 June 2011. The estimated impact of the reduction in the tax rate to the net deferred tax asset and liabilities is a net reduction in the asset of £0.7m.

No deferred tax has been recognised in respect of these temporary differences.

13. (Loss) / earnings per share

	2011 £'000	2010 £'000
(Loss) / profit after tax attributable to equity shareholders	(2,662)	586

	Shares '000	Shares '000
Issued ordinary shares at start of the period	310,757	82,367
Ordinary shares issued in the period	15	228,390
Issued ordinary shares at end of the period	310,772	310,757
Weighted average number of shares in issue for the period	310,759	293,143
Weighted average number of shares for diluted earnings per share	323,354	305,581
Basic (loss) / earnings per share (pence)	(0.86p)	0.20p
Diluted (loss) / earnings per share (pence)	(0.86p)	0.19p

The diluted loss per share in the current year does not differ from the basic loss per share as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive under the terms of IAS 33.

14. Goodwill

	2011 £'000	2010 £'000
At 1 July	2,496	2,555
Exchange difference	128	(59)
At 30 June	**2,624**	2,496

For the purposes of impairment testing of goodwill, the directors recognise the Group's Cash Generating Units ("CGU") to be the following:

	2011 £'000	2010 £'000
Germany	**2,624**	2,496

The recoverable amount for the CGU above was determined based on a value-in-use calculation, covering a detailed three-year forecast of future cash flows using budgeted projections assuming a 12% discount rate which the Group has estimated to be the approximate weighted average cost of capital to the Group.

Management's key assumptions include sales growth (at an average of 4% for the three year period), which has been determined based on past experience in this market. The Group's management believes that this is the best available input for forecasting this mature market.

Apart from the considerations described in determining the value in use of the CGU described above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

15. Intangible assets

	Manufacturing know-how £'000	Non-competing know-how £'000	Other intangibles £'000	Computer software £'000	Total £'000
Cost					
At 1 July 2009	1,000	3,634	1,011	1,604	7,249
Additions	-	-	-	53	53
Foreign exchange	-	(150)	(14)	(20)	(184)
At 30 June 2010	1,000	3,484	997	1,637	7,118
Additions	-	-	55	128	183
Acquired assets	-	-	884	-	884
Foreign exchange	-	326	217	59	602
At 30 June 2011	**1,000**	**3,810**	**2,153**	**1,824**	**8,787**
Amortisation					
At 1 July 2009	733	3,634	796	1,021	6,184
Charge for the year	67	-	51	137	255
Foreign exchange	-	(150)	(12)	(19)	(181)
At 30 June 2010	800	3,484	835	1,139	6,258
Charge for the year	67	-	125	151	343
Foreign exchange	-	326	27	52	405
At 30 June 2011	**867**	**3,810**	**987**	**1,342**	**7,006**
Net book value					
At 1 July 2009	267	-	215	583	1,065
At 30 June 2010	200	-	162	498	860
At 30 June 2011	**133**	**-**	**1,166**	**482**	**1,781**

The acquired assets relate to the fair valuation of existing distribution agreements acquired during the purchase of 100% of the share capital of Teomed AG, a Swiss company that specialises in the field of allergy (see Note 29). These intangible assets represent the potential future discounted cashflows lost to the group should these existing agreements be terminated.

16. Property, plant and equipment

	Plant & machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Computer equipment £'000	Assets under construction £'000	Freehold land & buildings £'000	Total £'000
Cost or valuation							
At 1 July 2009	4,998	3,548	36	1,897	1,927	332	12,738
Revaluation	-	-	-	-	-	950	950
Additions	150	184	-	78	1,238	-	1,650
Asset reclassification	7	-	-	105	(112)	-	-
Foreign exchange	(6)	(28)	-	(24)	-	(17)	(75)
Disposals	(6)	(50)	-	(10)	-	-	(66)
At 30 June 2010	5,143	3,654	36	2,046	3,053	1,265	15,197
Additions	297	636	-	129	-	-	1,062
Acquired assets	10	4	-	1	-	-	15
Asset reclassification	2,068	408	-	577	(3,053)	-	-
Foreign exchange	14	61	-	58	-	138	271
Disposals	(29)	(18)	-	-	-	-	(47)
At 30 June 2011	**7,503**	**4,745**	**36**	**2,811**	**-**	**1,403**	**16,498**
Depreciation							
At 1 July 2009	2,271	1,779	14	1,152	-	331	5,547
Charge for the year	409	450	8	266	-	39	1,172
Revaluation	-	-	-	-	-	(331)	(331)
Foreign exchange	(4)	(20)	-	(22)	-	(17)	(63)
Disposals	(6)	(50)	-	(10)	-	-	(66)
At 30 June 2010	2,670	2,159	22	1,386	-	22	6,259
Charge for the year	518	512	7	275	-	43	1,355
Foreign exchange	10	50	-	52	-	2	114
Disposals	(28)	(11)	-	-	-	-	(39)
At 30 June 2011	**3,170**	**2,710**	**29**	**1,713**	**-**	**67**	**7,689**
Net book value							
At 1 July 2009	2,727	1,769	22	745	1,927	1	7,191
At 30 June 2010	2,473	1,495	14	660	3,053	1,243	8,938
At 30 June 2011	**4,333**	**2,035**	**7**	**1,098**	**-**	**1,336**	**8,809**

All assets are secured against the Group's bank borrowings.

All assets previously considered to be under the course of construction have been completed during the year and are currently in use. These assets have therefore now been transferred into their relevant categories and depreciated in line with the Group's policies. There are no assets under construction as at 30 June 2011.

The Group's land and buildings were revalued in July 2009 by independent valuers. The land and buildings were previously valued using the cost model and had a carrying value of £1. Fair values were estimated based on recent market transactions, which were then adjusted for specific conditions relating to the land and buildings.

The land and buildings were not revalued to fair value at the reporting date as management determined that the effect of changes in market prices between the date of revaluation and reporting dates were immaterial. If the cost basis was used, the carrying amounts of the revalued land and buildings would be £1.

The revalued amounts include a revaluation surplus of £1,281,000 before tax (of which £331,000 writes back the accumulated depreciation) which is not available for distribution to the shareholders of the Group.

17. Investments

The Group carries an insurance policy which is designed to contribute towards the obligation in respect of the defined benefit pension scheme. It is valued at fair value (market price) by the Group's actuaries each year.

	2011 £'000	2010 £'000
At 1 July	**2,017**	1,824
Additions	**296**	319
(Loss) on the investment	**(54)**	(15)
Gain / (loss) on foreign exchange	**234**	(111)
	2,493	2,017

18. Inventories

	2011 £'000	2010 £'000
Raw materials and consumables	**2,196**	2,072
Work in progress	**3,134**	4,474
Finished goods	**1,757**	348
	7,087	6,894

The cost of inventories recognised as an expense in cost of sales during the year was £13.2m (2010: £11.2m) including write-downs in the year amounting to £1.1m (2010: £1.5m).

The value of inventories measured at fair value less cost to sell was £252,000 (2010: £175,000).

19. Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables	**2,842**	2,132
Other receivables	**2,774**	373
VAT	**130**	158
Prepayments	**1,033**	727
	6,779	3,390

All amounts due as shown above are short-term. The carrying value of trade receivables is considered a reasonable approximation of fair value. All trade and other receivables have been reviewed for indicators of impairment. During the year, £471,000 of the provision was utilised whilst £39,000 of trade receivables were found to be impaired. A provision decrease of £405,000 (2010: increase of £84,000) has been recorded accordingly.

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

The financial assets which were overdue but not provided for were:	**2011 £'000**	2010 £'000
Trade receivables		
Not more than 3 months	**515**	334
More than 3 months but not more than 6 months	**269**	138
More than 6 months but not more than 1 year	**76**	42
More than one year	**3**	119
	863	633

Bad and doubtful debt provision	**2011 £'000**	2010 £'000
Balance b/f	**484**	421
Foreign exchange adjustments	**27**	(21)
Charge for the year	**39**	84
Utilised	**(471)**	-
Balance c/f	**79**	484

20. Cash and cash equivalents

	2011 £'000	2010 £'000
Cash at bank and in hand	**1,048**	4,520

21. Trade and other payables

	2011 £'000	2010 £'000
Trade payables	**3,821**	3,948
Social security and other taxes	**765**	1,657
Other creditors	**146**	134
Accrued expenses and deferred income	**2,817**	3,136
	7,549	8,875

22. Borrowings

	2011 £'000	2010 £'000
Due within one year		
Facility borrowing	**2,793**	891
Short term loans	**-**	218
	2,793	1,109
Due after more than one year		
Facility borrowing	**12,361**	10,596

The facility borrowing is denominated in Euros and provided by Royal Bank of Scotland plc. The interest on the loan is a floating rate of Euribor plus a variable margin. The loan is secured in favour of The Royal Bank of Scotland plc by means of debentures granted by the Company and it's principal subsidiaries, an Intellectual Property Rights Agreement with Bencard Allergie GmbH and share pledge agreements with Bencard Allergie GmbH, Allergy Therapeutics Italia s.r.l. and Allergy Therapeutics Iberica S.L.

23. Provisions

The provision refers to a leaving indemnity reserve in Allergy Therapeutics Italia s.r.l. Under Italian law, alongside each monthly salary payment an amount is paid into this reserve for each employee. When the employee leaves the company the accrued amount is paid to him in the form of a deferred salary payment.

	2011 £'000	2010 £'000
At 1 July	**246**	277
Additions	**43**	36
Utilisation	**(33)**	(56)
Foreign exchange movement	**27**	(11)
At 30 June	**283**	246

24. Financial instruments

Risk management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern whilst maximising the return to stakeholders through the effective management of liquid resources raised through share issues and facility loan arrangements. Capital management objectives are met through regular reviews of cash flows, debtor/creditor balances, budgets and forecasts.

	2011 £'000	2010 £'000
Total equity	**2,139**	3,886
Cash and cash equivalents	**(1,048)**	(4,520)
Capital	**1,091**	(634)
Total equity	**2,139**	3,886
Borrowings	**15,154**	11,705
Overall financing	**17,293**	15,591
Capital-to-overall financing ratio	**0.06**	(0.04)

The IAS 39 categories of financial assets and liabilities included in the balance sheet and the headings under which they are shown are as follows:

Categories of financial instrument	**2011 £'000**	2010 £'000
Financial assets		
Current		
Loans and receivables (including cash and cash equivalents)	**6,794**	7,183
Non financial current assets	**1,033**	727
	7,827	7,910
Financial liabilities		
Current		
At amortised cost (including borrowings and payables)	**(6,760)**	(5,191)
Fair value through profit and loss	**(805)**	-
Non financial current liabilities	**(3,582)**	(4,793)
Non current		
At amortised cost (including borrowings and payables)	**(12,644)**	(10,842)
Fair value through profit and loss	**(376)**	(830)
Non financial non current liabilities	**(201)**	-
	(24,368)	(21,656)

Derivative financial instruments

The Group uses derivative financial instruments to mitigate the effects of exchange rate exposure through the use of forward exchange contracts and interest rate volatility through the use of interest rate swap arrangements.

The fair value is calculated by reference to market rates and supported by counterparty confirmation.

Interest rate swap

Although management consider the interest rate swaps as an effective hedging tool they are not formally designated as such. They were arranged to convert 60% of the Company's loan borrowings from floating to fixed rates. Within the fair value hierarchy, this financial derivative is classified as level 2.

Euro forward contracts

The Group has Euro forward contracts with its bank that are arranged for the sale of €16,681,000 to purchase GBP at an average blended rate of 1.171 at future dates from July 2011 to April 2012.

Euro exchange swap

The Group has utilised a Euro exchange swap for the sale of €1,173,000 to purchase GBP at a rate of 1.1125, maturing in July 2011.

Analysis of derivative financial instruments	**2011 £'000**	2010 £'000
(Charge) / Credit to the Income Statement		
Euro exchange swap - held for trading	**(6)**	-
Euro forward contacts - held for trading	**(799)**	1,172
Euro forward contracts - matured in the period	**(293)**	(1,755)
	(1,098)	(583)
Interest rate swap - held for trading	**454**	296
Interest rate swap - charges in the period	**(474)**	(689)
	(20)	(393)

Forward exchange contracts are considered by management to be part of economic hedge arrangements but have not been formally designated as such.

Derivative financial instruments	**2011 £'000**	2010 £'000
Current liabilities		
Derivative financial instruments		
- Euro exchange swap - held for trading	**6**	-
- Euro forward contracts - held for trading	**799**	-
	805	-
Non current liabilities		
Derivative financial instruments		
- Interest rate swap – held for trading	**376**	830
	376	830

The net loss at fair value of financial instruments through the profit and loss is £351,000 (2010: £1,468,000 gain).

Foreign currency risk

The Group conducts most of its day to day financial activities in either the Euro, which is the functional currency of the active subsidiaries in Germany, Italy, Spain, Austria and the Netherlands, Sterling which is the functional currency of the UK subsidiary or Swiss Francs which is the functional currency of the Swiss subsidiary. Some costs are denominated in US dollars and some income is denominated in Canadian dollars.

The Group carries bank balances in the following currencies:

	2011 £'000	2010 £'000
Sterling	**56**	1,582
Euro	**882**	2,114
US dollars	**47**	17
Canadian dollars	**5**	8
Swiss franc	**40**	795
Slovak krona	**17**	-
Polish zloty	**1**	4
	1,048	4,520

Foreign currency denominated financial assets and liabilities, translated into Sterling at closing rates, are as follows:

	Sterling 2011 £'000	**Euro 2011 £'000**	**Other 2011 £'000**	Sterling 2010 £'000	Euro 2010 £'000	Other 2010 £'000
Financial assets	**304**	**5,657**	**833**	1,824	4,099	1,260
Financial liabilities	**(1,606)**	**(5,208)**	**(751)**	(1,408)	(2,325)	(1,458)
Short term exposure	**(1,302)**	**449**	**82**	416	1,774	(198)
Financial assets	**-**	**-**	**-**	-	-	-
Financial liabilities	**-**	**(13,021)**	**-**	-	(11,672)	-
Long term exposure	**-**	**(13,021)**	**-**	-	(11,672)	-

The following table illustrates the sensitivity of the net result for the year and the equity of the Group with regard to its financial assets and liabilities and the Euro to Sterling exchange rate. Foreign exchange movements over the last two years have been considered and an average taken, and on this basis a 10% movement is considered to be a reasonable benchmark. For 2010, a 10% movement was also used.

	2011 £'000	2010 £'000
If Sterling had strengthened against the Euro by	**10%**	10%
Net results for the year	**157**	984
Other comprehensive income	**(628)**	(211)
	(471)	773
If Sterling had weakened against the Euro by	**10%**	10%
Net results for the year	**(337)**	(720)
Other comprehensive income	**767**	254
	430	(466)

Interest rate risk

The Group finances its operations through equity fundraising and bank facilities. Interest is charged at a floating rate on the borrowing facility; hedged by an interest rate swap covering 60% of the total outstanding, converting floating to fixed rates of interest. This borrowing facility was amended on 3 July 2009 and is now tailored in such a way as to give greater flexibility to the Group. This allows the Group to utilise a higher proportion of the facility in the low sales season and pay down the debt in the high sales season.

The following table illustrates the sensitivity of the net result for the year and equity to possible changes in interest rates of + 1% with effect from the beginning of the year on the remaining element of borrowings. Due to the current low interest rates it is unfeasible to illustrate the results were the interest rates to fall by 1%. The changes are considered to be reasonable given the current market conditions and the calculations are based on the financial instruments held at each balance sheet date, all other variables being held constant.

	2011 £'000 + 1%	**2011 £'000 - 1%**	2010 £'000 + 1%	2010 £'000 - 1%
Net results for the year	**(32)**	**n/a**	19	n/a
Equity	**-**	**n/a**	-	n/a
	(32)	**n/a**	19	n/a

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise this risk the Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount.

Credit risk on cash and cash equivalents is considered to be small as the counterparties are all substantial banks with high credit ratings. The maximum exposure is the amount of the deposit.

Liquidity risk

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern, and to provide adequate funding for its day to day operations. Management has access to funding through a bank facility and continues to have the option to raise funding from the issue of equity shares to ensure the Group remains able to meet its commitments as they fall due. As at 30 June 2011 the Group's contractual maturities are summarised as follows:

Current liabilities

	2011 £'000 Within 6 months	**2011 £'000 6 to 12 months**	2010 £'000 Within 6 months	2010 £'000 6 to 12 months
Borrowing facility - principal	**1,396**	**1,397**	218	891
Borrowing facility - interest and other charges	**658**	**451**	778	522
Trade payables	**3,821**	**-**	3,948	-
Other short term liabilities	**3,728**	**-**	4,927	-
	9,603	**1,848**	9,871	1,413
Derivatives	**684**	**121**	-	-
	10,287	**1,969**	9,871	1,413

Non-current liabilities

	2011 £'000 1 to 5 years	**2011 £'000 Later than 5 years**	2010 £'000 1 to 5 years	2010 £'000 Later than 5 years
Borrowing facility - principal	**12,361**	**-**	10,596	-
Borrowing facility - interest and other charges	**1,387**	**-**	3,263	-
Other long term liabilities	**283**	**-**	-	-
	14,031	**-**	13,859	-
Derivatives	**376**	**-**	830	-
	14,407	**-**	14,689	-

There is no material difference between the fair values and the book values of these financial instruments.

25. Operating lease commitments

The following payments are due to be made on operating lease commitments:

	Land & buildings 2011 £'000	Land & buildings 2010 £'000	**Other 2011 £'000**	Other 2010 £'000	**Total 2011 £'000**	Total 2010 £'000
Within one year	**485**	315	**457**	409	**942**	724
Two to five years	**1,628**	733	**745**	335	**2,373**	1,068
Over five years	**621**	821	**-**	8	**621**	829
	2,734	1,869	**1,202**	752	**3,936**	2,621

Of the operating lease commitments for the land and buildings of £2,734,000 (2010: £1,869,000), £1,271,000 relates to the UK based premises. The production facility accounts for £692,000 (2010: £784,000) of this commitment and expires in December 2018. Premises in Spain account for £255,000 (2010: £330,000) expiring in 2020 and in Germany for £1,035,000 (2010: £114,000) expiring in December 2015.

Of the other commitments, £893,000 (2010: £581,000) relates to leased vehicles all expiring within 5 years.

26. Retirement benefit obligations

Defined contribution scheme

The Group operates a defined contribution pension scheme for certain employees in the UK. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged against the profits represents the contributions payable under the scheme in respect of the accounting period totalling £209,000 (2010: £221,000).

Defined benefit scheme

The Group operates a partly funded non-contributory defined benefit pension scheme for certain employees in Germany. The actuarial valuation was carried out by Swiss Life Pensions Management GmbH at 30 June 2011. The major assumptions used were as follows:

	2011 % pa	2010 % pa
Retail price inflation	**1.5**	1.5
Salary increase rate	**4.0**	4.0
Rate of pension increase	**1.5**	1.5
Discount rate at the beginning of the year	**5.0**	6.0
Discount rate at the end of the year	**5.0**	5.0
Expected return on assets	**3.8**	4.1
Increase of social security contribution ceiling	**3.7**	3.7
Average life expectancies		
Male, 65 years of age at the balance sheet date	**18.5**	18.3
Female, 65 years of age at the balance sheet date	**22.6**	22.4
Male, 45 years of age at the balance sheet date	**41.2**	41.0
Female, 45 years of age at the balance sheet date	**45.1**	45.0

The assets in the scheme and the expected rates of return were as follows:

	2011 £'000	2010 £'000
Fair value of planned assets	**1,275**	1,076
Present value of scheme liabilities	**(5,389)**	(4,649)
Deficit in the scheme	**(4,114)**	(3,573)
Experience losses on plan assets	**(6)**	(9)
Experience gains / (losses) on plan liabilities	**241**	(108)

The plan assets consist of long-term insurance policies held to cover the German pension obligation. The value of the plan assets is deducted from the value of the pension liability to give a net liability of £4,114,000 (2010: £3,573,000). The basis used to determine the overall expected rate of return is the expected market return as determined by Swiss Life Pensions Management GmbH using the projected unit credit method. The actual return on plan assets for the year is £41,000 (2010: £37,000). The pension charge generates an unrecognised deferred tax asset of £535,000 (2010: £436,000), however this is unrecognised in the Group accounts as there is uncertainty over the recoverability.

Long term insurance policies that do not qualify as plan assets are recognised as separate investment assets at fair value and represent a re-imbursement right as defined by IAS 19. Management have assumed that there will be no expected return on these assets as was the case in the previous year. See Note 17 for further details of these investment assets.

	2011 £'000	2010 £'000
Amounts charged to operating profit		
Current service costs	**279**	244
Amounts included in other finance expenses		
Expected return on pension scheme assets	**(47)**	(46)
Interest on pension scheme liabilities	**243**	239
Net charge	**196**	193
Amounts recognised in other comprehensive income		
Actual return less expected return on pension scheme assets	**(6)**	(9)
Experience gains / (losses) arising on scheme liabilities	**241**	(108)
Changes in assumptions underlying the present value of scheme liabilities	**-**	(495)
Total amount relating to year	**235**	(612)
Opening cumulative losses	**(1,146)**	(534)
Actuarial loss recognised	**(911)**	(1,146)
Net movement recognised	**(911)**	(1,146)

Movement in assets during the year	2011 £'000	2010 £'000
Balance as at 1 July	**1,076**	1,104
Foreign currency differences	**120**	(56)
Expected return	**47**	46
Actuarial losses	**(6)**	(9)
Contributions from employer	**80**	74
Assets transferred to finance benefits paid	**(42)**	(83)
Balance as at 30 June	**1,275**	1,076

Movement in liabilities in the year	2011 £'000	2010 £'000
Balance as at 1 July	**(4,648)**	(3,925)
Foreign currency differences	**(520)**	265
Service cost	**(279)**	(244)
Interest cost	**(243)**	(239)
Actuarial gains / (losses)	**241**	(108)
Benefits paid by employer	**18**	15
Benefits paid from assets	**42**	83
Changes in assumptions	**-**	(495)
Balance as at 30 June	**(5,389)**	(4,648)

The expected contributions over the forthcoming year are £223,000.

History of retirement benefit obligation

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Fair value of plan assets	**1,275**	1,076	1,104	932	718
Present value of scheme liabilities	**(5,389)**	(4,649)	(3,925)	(3,256)	(2,900)
Scheme deficit	**(4,114)**	(3,573)	(2,821)	(2,324)	(2,182)

History of experience gains and losses

	2011 %	2011 £'000	2010 %	2010 £'000	2009 %	2009 £'000	2008 %	2008 £'000	2007 %	2007 £'000
Scheme assets Difference between the expected and actual return	**(0.5)**	**(6)**	(0.7)	(9)	(0.9)	(10)	2.6	23	1.5	(11)
Scheme liabilities Experience gains and (losses)	**4.7**	**254**	(2.1)	(108)	-	1	6.7	201	1.0	(30)
Changes in assumptions underlying present value		**-**		(495)		-		352		174
Total amount recognised	**4.6**	**248**	(12.1)	(612)	(0.2)	(9)	17.7	576	4.6	133

27. Issued share capital

	2011 Shares	2011 £'000	2010 Shares	2010 £'000
Authorised share capital				
Ordinary shares of 0.10p each				
1 July and 30 June	**790,151,667**	**790**	790,151,667	790
Deferred shares of 0.10p each				
1 July and 30 June	**9,848,333**	**10**	9,848,333	10
Issued and fully paid				
Ordinary shares of 0.10p				
At 1 July	**310,756,614**	**311**	82,366,614	82
Issued during the year	**15,000**	**-**	228,390,000	229
At 30 June	**310,771,614**	**311**	**310,756,614**	**311**
Issued and fully paid				
Deferred shares of 0.10p				
At 1 July	**9,848,333**	**10**	9,848,333	10
Issued during the year	**-**	**-**	-	-
At 30 June	**9,848,333**	**10**	**9,848,333**	**10**
Issued share capital	**320,619,947**	**321**	**320,604,947**	**321**

The deferred shares have no voting rights, dividend rights or value attached to them.

28. Share based payments

The Group has a Savings Related Share Option Plan ('SAYE') for the benefit of all employees and Executive directors with 12 months continuous service. No options were granted in 2009/10 or 2010/11 under this scheme. (The 2007 SAYE carried a 15% discount while the 2008 SAYE carried a 10% discount to the average market share price on the date of grant). The vesting period is three years and options are settled in equity once exercised. If the options remain unexercised after a period of six months from the end of the vesting period, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

The Group has a Long Term Incentive Plan ('LTIP') under which Executive directors and senior employees may receive annual provisional awards of performance vesting shares. The number of shares that vest depends on the Group's performance during the Plan cycle in terms of total shareholder return (TSR) compared to the TSR performance of the companies in the Plan's peer group. If the Group's position in the peer group at the end of the Plan cycle is at or above the 75th percentile, 100% of the shares provisionally awarded may vest; between the 75th and 50th percentile the percentage of shares that may vest will be calculated on a straight-line basis between 100% and 33.33%; below the 50th percentile no shares will vest. Each Plan cycle will comprise not less than three consecutive financial years. Awards are forfeited if the employee leaves the Group before the shares vest.

Share options were granted to employees and Directors under earlier schemes. The vesting periods are usually from one to three years. The vesting of some options is dependent on the Group's TSR performance as for the LTIP detailed above. The options are settled in equity once exercised. If the options remain unexercised after a period of 10 years from the date of the grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

During the year a new grant under the LTIP was provisionally awarded. This scheme falls under the initial 2005 award and therefore, all calculations and assumptions have been performed under the same conditions as the previous LTIPs.

For the following outstanding share options disclosure, LTIP awards, with a nil exercise price have been disclosed separately to avoid distorting the weighted average exercise price (WAEP):

	2011 WAEP Number	**2011 WAEP Price (£)**	2010 WAEP Number	2010 WAEP Price (£)
Outstanding at the beginning of the year	**5,768,713**	**0.19**	9,497,620	0.36
Granted during the year	**-**	**-**	740,656	0.18
Exercised during the year	**(15,000)**	**0.05**	(1,175,000)	0.01
Forfeited during the year	**(1,102,983)**	**0.29**	(353,508)	0.64
Cancelled during the year	**-**	**-**	(2,941,055)	0.75
Outstanding at the year end	**4,650,730**	**0.16**	5,768,713	0.19
Exercisable at the year end	**4,650,730**	**0.16**	4,399,245	0.17

Included in the above numbers outstanding at 30 June 2011 are 3,752,306 (2010: 3,993,386) share options granted before 7 November 2002 or vested before 1 July 2006 which have been excluded from the share-based payments charge in accordance with the IFRS 1 'First-time Adoption of International Financial Reporting Standards' transitional provisions.

Options exercised during the year had a weighted average share price at date of exercise of 14p (2010: 14p).

The share options outstanding at the end of the year have a weighted average remaining contractual life of 2.3 years (2010: 3.2 years) and have the following range of exercise prices:

Exercise price (p)	**30 June 2011 Number**	30 June 2010 Number
0.1-5	**3,025,000**	3,258,580
6-45	**1,498,986**	2,276,136
46-120	**126,744**	233,997
	4,650,730	5,768,713

The fair value of options granted under the Savings Related Share Option Plan has been arrived at using the Black-Scholes model. The assumptions made to value options granted were as follows:

Date of grant	Vesting period (yrs)	Date of vesting	Expected life (yrs)	Exercise price (£)	Risk-free rate	Share price at grant (£)	Volatility of share price	Fair value (£)	Number outstanding
10/04/08	3	01/05/11	3.2	0.3060	5%	0.34	42%	0.13	82,812
26/03/07	3	01/05/10	3.2	0.9945	5%	1.17	30%	0.41	-
11/01/06	3	01/03/09	3.2	0.6400	5%	0.75	30%	0.26	-

- Expected volatility was based on historic volatility at the date of grant.
- The share-based payment charge assumes an expected option life of 3.2 years, an employee attrition rate of 5% per annum and an early surrender risk of 5% per annum.
- The expected number of shares vesting was 'trued-up' for actual leavers at the balance sheet date.

Outstanding shares provisionally awarded under the Long Term Incentive Plan, with a nil exercise price, are as follows:

	2011 Number	2010 Number
Outstanding at the beginning of the year	**6,669,124**	2,469,308
Awarded during the year	**4,320,000**	6,090,000
Forfeited during the year	**(2,397,447)**	(1,101,451)
Cancelled during the year	**(647,677)**	(788,733)
Outstanding at the year end	**7,944,000**	6,669,124

The fair value of the Long Term Incentive Plan shares has been arrived at using the share price at the date of grant and applying a vesting probability for the market performance conditions. The assumptions made to value shares awarded were as follows:

Date of grant	Vesting period (yrs)	Date of vesting	Expected life (yrs)	Exercise price (£)	Share price at grant (£)	Vesting probability	Fair value (£)	Number outstanding
07/12/10	3	07/12/13	3	0.0000	0.091	41.5	0.038	3,690,000
20/07/09	3	20/07/12	3	0.0000	0.148	41.5	0.061	4,254,000
21/12/07	3	27/12/10	3	0.0000	0.385	41.5	0.160	-
09/10/06	3	09/10/09	3	0.0000	1.000	41.5	0.415	-
14/12/05	3	14/12/08	3	0.0000	0.695	41.5	0.288	-

The share-based payment charge assumes an employee attrition rate of 5% per annum.

The Group recognised total expenses of £147,000 (2010: £193,000) related to equity-settled share based payment transactions during the year.

29. Acquisitions

As part of it's strategy to strengthen its sales base outside Germany, on 1 July 2010, Allergy Therapeutics plc acquired 100% of the issued share capital of Teomed AG. Teomed was established in 1989 and specialises in the field of allergy and is the distributor for the Company's products and other company's products in the Swiss market.

The total consideration was CHF1,200,000 (£740,000) and comprised an initial cash payment of CHF800,000 (£494,000) on signing, and a deferred payment of CHF400,000 (£246,000), which was paid into an escrow account and paid out twelve months after the date of completion. The deferred consideration was contingent on the basis that existing distributor agreements continued for a period of at least one year from the acquisition date. The allocation of the purchase price to the assets and liabilities of Teomed AG at the acquisition date was as follows:

	Pre- acquisition carrying amount £'000	Adjustment to fair value £'000	Recognised at acquisition date £'000
Property, plant and equipment	15	-	15
Intangible assets	-	884	884
Total non-current assets	15	884	899
Trade and other receivables	217	(10)	207
Inventories	133	-	133
Cash and cash equivalents	3	-	3
Total Assets	368	874	1,242
Trade and other payables	(139)	-	(139)
Deferred taxation liability	-	(177)	(177)
Net identifiable assets and liabilities	229	697	926
Gain on bargain purchase			(186)
Cost of acquisition			740

Acquisition costs incurred amounted to £120,000 and were expensed in the year ended 30 June 2010. These were shown under administration costs within the consolidated income statement in that year.

The adjustment to fair value on trade and other receivables related to trade debtors which existed at the acquisition date.

The acquisition gave rise to a gain on bargain purchase primarily due to the fair valuation of the existing distribution agreements exceeding the consideration paid. These intangible assets represent the present value of the future cashflows expected to arise from the agreements. They were not recognised on the balance sheet of the acquired company. The gain has been included in Other Income in the Group's consolidated income statement in the year ending 30 June 2011.

The pre-existing distributor agreement between the Group and Teomed AG had expired prior to the acquisition taking place.

The acquisition of Teomed AG took place on 1 July 2010 and as a consequence traded for the full year as a member of the Group. It contributed £2.1m in revenue and £0.1m of the Group's operating profit.

30. Contingent liabilities

Allergy Therapeutics (UK) Ltd, a subsidiary of Allergy Therapeutics plc, has guaranteed the deposits required for leases on Group cars and rented office space occupied by a fellow subsidiary, Bencard Allergie GmbH. The amount as at 30 June 2011 was €107,426; £96,493 (2010: €107,426; £86,999).

A cross-guarantee exists between Allergy Therapeutics (Holdings) Ltd, Allergy Therapeutics (UK) Ltd, Bencard Allergie GmbH, Allergy Therapeutics Italia s.r.l. and Allergy Therapeutics Iberica S.L. in which the liabilities of each entity under the RBS loan agreement are guaranteed by all the others.

31. Capital commitments

The Group's capital commitments at the end of the financial period, for which no provision has been made, are as follows:

	30 June 2011 £'000	30 June 2010 £'000
Capital commitments	**237**	252

Included in the above is £154,000 for ongoing factory refurbishments in the UK (2010: £192,000); £28,000 for new plant and machinery (2010: £29,000) and £55,000 for IT equipment and systems upgrades (2010: £31,000).

32. Related party transactions

Allergy Therapeutics plc's related parties include its subsidiary companies and its key management. Key management personnel are the Company's directors, and as such full disclosure of their remuneration can be found in the Directors' Remuneration report on pages 50 to 53.

At 30 June 2011, the Company's subsidiary undertakings were:

Subsidiary undertaking	Country of incorporation	Principal activity	Percentage of shares held	Class of shares held
Allergy Therapeutics (Holdings) Ltd	UK	Holding Company	100	Ordinary and deferred
Allergy Therapeutics UK) Ltd	UK	Manufacture and sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Development Ltd	UK	Dormant	100	Ordinary
Bencard Allergie GmbH	Germany	Sale of pharmaceutical products	100	Ordinary
Bencard Allergie (Austria) GmbH	Austria	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Italia s.r.l.	Italy	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Iberica S.L.	Spain	Sale of pharmaceutical products	100	Ordinary
Teomed A.G.	Switzerland	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Netherlands BV	Netherlands	Sale of pharmaceutical products	100	Ordinary

33. Events after the balance sheet date

As part of its ongoing strategy to enter the Emerging Markets, in August 2011 the Group set up its own 100% owned subsidiary in Argentina.

Independent Auditor's Report to the Members of Allergy Therapeutics plc (Company)

We have audited the parent company financial statements of Allergy Therapeutics plc for the year ended 30 June 2011 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 48, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of Allergy Therapeutics plc for the year ended 30 June 2011.

Christian Heeger
Senior Statutory Auditor for and on behalf of
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Gatwick
16 September 2011

Company Balance Sheet

	Note	30 June 2011 £'000	30 June 2010 Restated £'000
Fixed assets			
Investments	3	**1,444**	1,297
Current assets			
Debtors: amounts falling due within one year	4	**731**	646
Current liabilities			
Creditors: amounts falling due within one year	5	**-**	(39)
Net current assets		**731**	607
Total assets less current liabilities		**2,175**	1,904
Net assets		**2,175**	1,904
Capital and reserves			
Called up share capital	6	**321**	321
Share premium	7	**58,705**	58,704
Other reserves – shares held by EBT	7	**67**	67
Other reserves – share based payments	7	**1,398**	1,324
Profit and loss account	7	**(58,316)**	(58,512)
Total equity		**2,175**	1,904

These financial statements were approved by the Board of Directors on 16 September 2011 and were signed on its behalf by

Manuel Llobet
Chief Executive Officer

Ian Postlethwaite
Finance Director

Registered number: 05141592

Notes to the Company Balance Sheet

1. Accounting policies

Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

Restatement of previous year figures

During the period the amendments to IFRS 2 and FRS 20, Group Cash-settled Share-based Payment Transactions, were adopted by the Group and Company respectively.

The main purpose of the amendments is to ensure that the costs associated with share based payments are included in the accounts of the individual Group subsidiary which receives the goods or services from the supplier (including employees). The amendment has been applied retrospectively leading to a restatement of prior period retained reserves, the full details of which are set out in Note 14.The amendments have had no effect on the Group balances.

Going Concern

For the second year running, the Group has reported an operating profit, however for the financial years ended 2007 to 2009 primarily as a consequence of its investment in research and development activities, it reported losses. These losses have been funded by equity issues, debt facilities and cash generated by the operating business.

The Group has prepared detailed budgets, including cash flow projections, for the periods ending 30 June 2012 and 30 June 2013. These projections include assumptions on the trading performance of the operating business and the continued availability of the existing debt facilities. After making appropriate enquiries, which included a review of the annual budget, by considering the cash flow requirements for the foreseeable future and the effects of sales and other sensitivities on the Group's funding plans, the Directors continue to believe that the Group and Company will have adequate resources to continue in operational existence for the foreseeable future and accordingly have applied the going concern principle in drawing up the financial statements. In reaching this view, the Directors have considered and prioritised the actions that could be taken to offset the impact of any shortfall in operating performance.

Investments

Investments in shares in subsidiary undertakings are included at cost less amounts written off.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the preceding month-end. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Deferred taxation

Deferred tax is recognised without discounting in respect of all timing differences, in the following year, between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19.

Employee Benefit Trust (EBT)

The financial statements include the assets and liabilities of a trust, set up for the benefit of the Company's employees.

The Employee Benefit Trust has acquired shares in the Company and these are deducted from shareholders funds on the balance sheet within 'Other reserves' initially at the cost that the shares were acquired. The net proceeds received from the issue of these shares through the exercise of options are recognised through this reserve. There are no shares remaining in the EBT.

Share based payments

The Company has adopted the amendment to FRS 20 (Group cash-settled share based payment transactions).

The Company has equity-settled share based payments but no cash-settled share based payments. All share based payment awards granted after 7 November 2002 which had not vested prior to 1 July 2006 are now recognised in the financial statements of the subsidiary which receives the goods or service from the supplier (including employees), however the share based payment reserve remains in the Company's financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

If vesting periods or non-market based vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period.

If market based vesting conditions apply, the expense is allocated over the relevant period, usually the period over which performance is measured. Vesting assumptions and resulting expenses are fixed at the date of grant, regardless of whether market conditions are actually met. Any adjustment for options which lapse prior to vesting is recognised in the current period.

2. Loss for the financial period

The Company has taken advantage of s.408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's profit for the period was £122,000 (restated 2010: £25,465,000 loss).

3. Investments

	Shares in subsidiary undertaking Restated £'000
Cost	
Investment brought forward	**1,297**
Additions	**147**
Investment carried forward	**1,444**

At 30 June 2011 the Company's subsidiary undertakings were:

Subsidiary undertaking	Country of incorporation	Principal activity	Percentage of shares held	Class of shares held
Allergy Therapeutics (Holdings) Ltd	UK	Holding Company	100	Ordinary and deferred
Allergy Therapeutics UK) Ltd	UK	Manufacture and sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Development Ltd	UK	Dormant	100	Ordinary
Bencard Allergie GmbH	Germany	Sale of pharmaceutical products	100	Ordinary
Bencard Allergie (Austria) GmbH	Austria	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Italia s.r.l.	Italy	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Iberica S.L.	Spain	Sale of pharmaceutical products	100	Ordinary
Teomed A.G.	Switzerland	Sale of pharmaceutical products	100	Ordinary
Allergy Therapeutics Netherlands BV	Netherlands	Sale of pharmaceutical products	100	Ordinary

Allergy Therapeutics (Holdings) Ltd is fully owned by Allergy Therapeutics plc. All other subsidiary undertakings except Bencard Allergie (Austria) GmbH, are fully owned by Allergy Therapeutics (Holdings) Ltd. Bencard Allergie (Austria) GmbH is fully owned by Bencard Allergie GmbH.

In July 2010 the Group acquired a 100% owned subsidiary in Switzerland and also set up a new 100% owned limited company in the Netherlands. See Note 29 in the consolidated financial statements for further details.

As part of its ongoing strategy to enter the Emerging Markets, in August 2011 the Group set up its own 100% owned subsidiary in Argentina.

4. Debtors

	30 June 2011 £'000	30 June 2010 £'000
Amounts falling due within one year		
Amount owed by subsidiary undertakings	**722**	642
Prepayments	**9**	4
	731	646

The amount owed by subsidiary undertakings is stated net of provisions of £57,849,000 (2010: £58,055,000).

5. Creditors – amounts falling due within one year

	30 June 2011 £'000	30 June 2010 £'000
Taxation and social security	**-**	39

6. Called up share capital

Full details of the Company's share capital are set out in Note 27 of the consolidated financial statements.

7. Reserves

	Profit and loss account Restated £'000
At 30 June 2010	(58,512)
Retained profit for the year	122
Lapsed share based payments transferred to retained losses	74
At 30 June 2011	**(58,316)**

	Share premium account £'000
At 30 June 2010	58,704
Shares issued in the year	1
At 30 June 2011	**58,705**

	Other reserve – share based payments £'000
At 30 June 2010	1,324
Provision in year for share based payments	148
Lapsed share based payments transferred from retained losses	(74)
At 30 June 2011	**1,398**

	Other reserve – EBT £'000
At 30 June 2010	67
Sale of shares by EBT	-
At 30 June 2011	**67**

8. Share based payments

Full details of the Company's share based payments are set out in Note 28 of the consolidated financial statements.

9. Directors' emoluments

Full details of the Company's directors' emoluments are set out in the Directors' Remuneration Report in the Report of the Directors.

10. Reconciliation of movement in shareholders' funds

	Year to 30 June 2011 £'000	Year to 30 June 2010 Restated £'000
Profit/ (loss) for the financial year	122	(25,465)
Issue of shares from EBT		-
Share based payments	148	193
Shares Issued	1	25,740
Net addition to shareholders' funds	271	468
Opening shareholders' funds	1,904	383
Reallocation of prior periods share based payments charges	-	1,053
Closing shareholders' funds	**2,175**	1,904

11. Contingent Liabilities

Full details of the Company's contingent liabilities are set out in Note 30 of the consolidated financial statements.

12. Related party transactions

In accordance with FRS 8 on Related Party transactions, details of transactions with the Company's subsidiaries are not disclosed as they are included in the consolidated financial statements. The consolidated financial statements include the results of the Company. Details of the related party transactions can be found in Note 32 to the consolidated financial statements.

13. Events after the balance sheet date

Full details of events after the balance sheet date are set out in Note 33 of the consolidated financial statements.

14. Restatement of prior year figures

During the period the Company adopted the amendment made to FRS 20, as detailed under Note 1 – accounting policies (page 69). This amendment has had no effect on the Group's financial statements; however because the treatment has been applied retrospectively, some of the prior period figures have changed as detailed below.

	As Originally Reported	Amount of Restatement	As Restated
	2010	2010	2010
	£'000	£'000	£'000
Company Balance Sheet			
Fixed asset investment	51	1,246	1,297
Total assets less current liabilities	658	1,246	1,904
Net assets	658	1,246	1,904
Capital and reserves			
Profit and loss account	(59,758)	1,246	(58,512)
Note 2: Loss for the financial period	(25,658)	193	(25,465)
Note 3: Investments			
Investments brought forward	51	1,246	1,297
Note 7: Reserves			
Profit and loss account as at 30 June 2010	(59,758)	1,246	(58,512)
Note 10: Reconciliation of movement in shareholders funds			
Reallocation of prior periods share based payments charges	-	1,246	1,246

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